



# **AUDITED ANNUAL FINANCIAL STATEMENTS**

**for the year ended  
30 JUNE 2015**

*A.A.*



## TABLE OF CONTENTS

<b><u>NR</u></b>	<b><u>CONTENT</u></b>	<b><u>PAGE</u></b>
1.	GENERAL INFORMATION	1 - 3
2.	APPROVAL OF FINANCIAL STATEMENTS	4
3.	STATEMENT OF FINANCIAL POSITION	5
4.	STATEMENT OF FINANCIAL PERFORMANCE	6
5.	CASH FLOW STATEMENT	7
6.	STATEMENT OF CHANGES IN NETT ASSETS	8
7.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	9 - 11
8.	ACCOUNTING POLICIES	12 - 41
8.	NOTES APPLYING TO FINANCIAL STATEMENTS	42 - 97
9.	APPENDICES	
A)	EXTERNAL LOANS	98
B)	ANALYSIS OF NON-CURRENT ASSETS	99 - 100
C1)	RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASIFICATION)	101 - 102
C2)	RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY MUNICIPAL VOTE)	103
C3)	RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)	104 - 105
C4)	RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE	106 - 107
C5)	RECONCILIATION OF BUDGETED CASH FLOW	108 - 109
D)	DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003	110 - 111

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## GENERAL INFORMATION

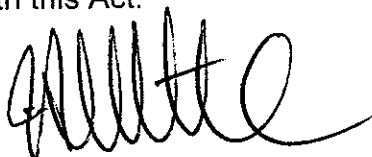
### MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE

<u>COUNCILLOR</u>	<u>PORTFOLIO</u>
G VAN DEVENTER	EXECUTIVE MAYOR OF THE MAYORAL COMMITTEE
CJ POOLE	DEPUTY EXECUTIVE MAYOR & MAYORAL COMMITTEE MEMBER OF RURAL DEVELOPMENT
G COMBRINK	MAYORAL COMMITTEE MEMBER OF FINANCE
N ADAMS	MAYORAL COMMITTEE MEMBER OF SOCIAL SERVICES AND COMMUNITY DEVELOPMENT
W PHILANDER	MAYORAL COMMITTEE MEMBER OF HOUSING AND HUMAN SETTLEMENTS
L DU TOIT	MAYORAL COMMITTEE MEMBER OF ENVIROMENTAL AFFAIRS, OPEN SPACES AND PARKS
L NTLEMEZA	MAYORAL COMMITTEE MEMBER OF CORPORATE SERVICES
R SMUTS	MAYORAL COMMITTEE MEMBER OF DISASTER
E KEARNS	MAYORAL COMMITTEE MEMBER OF PUBLIC INTERGOVERNMENTAL RELATIONS
J RADEMEYER	MAYORAL COMMITTEE MEMBER OF INFRASTRUCTURE SERVICES
T SMITH	MAYORAL COMMITTEE MEMBER OF PLANNING & ECONOMIC DEVELOPMENT
AC STOWMAN	MAYORAL COMMITTEE MEMBER OF SPORT, CULTURE, YOUTH DEVELOPMENT & STUDENT AFFAIRS

## COUNCIL MEMBERS

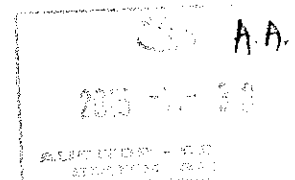
<u>NR</u>	<u>SURNAME</u>	<u>INITIALS</u>	<u>NR</u>	<u>SURNAME</u>	<u>INITIALS</u>
1	ADAMS	ND	32	LE ROUX	JF
2	ADRIAANSE	MM	33	LUMKO	S
3	AFRIKA	AF	34	MANGENA	TC
4	ALLOM	A	35	MATTHEE	J
5	APPOLLIS	CJ	36	MBUBU	V
6	APPOLLIS	MB	37	MCHELM	JC
7	ARNOLDS	RB	38	MSOLO	MC
8	BEKEER	A	39	MTIKI	N
9	BLANCKENBERG	DS	40	NAUDE	WJ
10	BOLANI	LE	41	NIEHAUS	LW
11	BUCKLE	AML	42	NOMANA	TZ
12	COMBRINK	GC	43	NTLEMEZA	LE
13	CUPIDO	FP	44	PALISO	M
14	CUPIDO	PBA	45	PHILANDER	WF
15	DARIES	LN	46	POOLE	CJ
16	DAVIDS	CO	47	RADEMEYER	JG
17	DE GOEDE	HR	48	RENS	SC
18	DE WET	J	49	ROSS	CS
19	DU TOIT	LM	50	ROSS	S
20	GOUWS	E	51	SMIT	WE
21	GWADA	ZL	52	SMITH	MJ
22	HLATHI	V	53	SMUTS	R
23	JACOBS	AN	54	SOMGQEZA	TE
24	JULIUS	EA	55	STOWMAN	AC
25	KEARNS	C	56	TSHAYA	MA
26	KEARNS	EM	57	VAN DER WESTHUIZEN	CC
27	KIKA-DYSON	SN	58	VAN DEVENTER	GMM
28	KEM	Z	59	VAN NIEUWENHUYZEN	RH
29	KOEGELENERG	RA	60	VON SCHLICHT	H
30	KOTZE	DA	61	WITBOOI	GJ
31	LANDU	L			

I certify that the remuneration, allowances and benefits of the above Councillors as disclosed in note 28 of the Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Governments determination in accordance with this Act.



**MR JF METTLER**  
**MUNICIPAL MANAGER**

31 August 2015



## MEMBERS OF THE AUDIT COMMITTEE

MRS ROZAN JAFTHA	CHAIRPERSON
MR WILLIAM JAMES SEWELL	MEMBER
MR MANDLA MDLUDLU	MEMBER
MR GRAHAM SMIT	MEMBER
MR RONNIE KINGWILL	MEMBER

## GENERAL INFORMATION

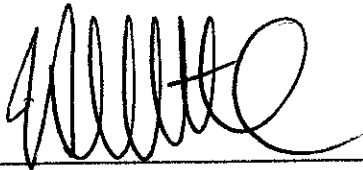
AUDITORS	THE AUDITOR-GENERAL OF SOUTH AFRICA
BANKERS	NEDBANK LIMITED
GRADING OF LOCAL AUTHORITY	10
REGISTERED OFFICE	DRAKENSTEIN MUNICIPALITY
PHYSICAL ADDRESS	BERG RIVER BOULEVARD PAARL 7622
POSTAL ADDRESS	P O BOX 1 PAARL 7646
TELEPHONE	(021) 807 - 4500
FAX	(021) 872-8054
MUNICIPAL MANAGER	MR JF METTLER
CHIEF FINANCIAL OFFICER	MR J CARSTENS
MAYOR	COUNCILLOR G VAN DEVENTER
DEPUTY MAYOR	COUNCILLOR CJ POOLE
SPEAKER	COUNCILLOR K LE ROUX

## EXECUTIVE MANAGEMENT

MUNICIPAL MANAGER	MR JF METTLER
EXECUTIVE MANAGER: CORPORATE GOVERNANCE	MRS A DE BEER
CHIEF FINANCIAL OFFICER	MR J CARSTENS
EXECUTIVE MANAGER: PLANNING & ECONOMIC DEVELOPMENT	MR A ADAM
EXECUTIVE MANAGER: INFRASTRUCTURE	MR D LOUW
EXECUTIVE MANAGER: COMMUNITY SERVICES	MR G BOSHOF

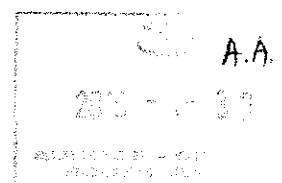
## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to \_\_\_\_\_, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.



**MR JF METTLER**  
**MUNICIPAL MANAGER**

31 August 2015





**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2015**

	Note	JUNE 2015  R	JUNE 2014 Restated R
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>4,616,589,329</b>	<b>4,566,053,096</b>
Property, plant and equipment	11	4,519,555,681	4,472,475,628
Heritage Assets	14	27,542,700	27,542,700
Intangible Assets	12	11,130,415	12,430,750
Investment property	13	54,905,000	52,430,331
Discontinued Operations	4	0	0
Investments	15	141,695	139,301
Long-term receivables	16	3,313,839	1,034,386
<b>Current assets</b>		<b>542,234,155</b>	<b>440,683,906</b>
Inventory	17	25,324,072	29,634,965
VAT	18	15,092,688	12,343,487
Receivables from exchange transactions	19	171,779,799	149,016,892
Receivables from non-exchange transactions	20	70,184,984	66,551,272
Current portion of long-term receivables	16	326,947	304,325
Cash and cash equivalents	21	259,525,666	182,832,965
<b>Total Assets</b>		<b><u>5,158,823,484</u></b>	<b><u>5,006,737,001</u></b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Non-current liabilities</b>		<b>839,570,687</b>	<b>734,569,855</b>
Long-term liabilities	5	608,325,189	536,232,371
Retirement Benefit Obligation	6	124,112,000	115,517,021
Non-Current Provisions	7	107,133,498	82,820,463
<b>Current liabilities</b>		<b>491,303,047</b>	<b>413,968,371</b>
Consumer deposits	8	31,172,685	28,462,069
Payables from exchange transactions	9	197,786,673	194,070,563
Unspent conditional grants and receipts	10	54,152,291	38,695,618
Current portion of long-term liabilities	5	132,932,517	115,669,897
Current portion of Retirement Benefit Obligation	6	7,545,000	6,983,000
Current Provisions	7	67,713,881	30,087,224
<b>Net assets</b>		<b>3,827,949,750</b>	<b>3,858,198,775</b>
Housing Development Fund	1	17,107,561	30,899,273
Revaluation Reserve	2	1,379,053,019	1,405,303,574
Accumulated Surplus / (Deficit)	3	2,431,789,170	2,421,995,928
<b>Total Net Assets and Liabilities</b>		<b><u>5,158,823,484</u></b>	<b><u>5,006,737,001</u></b>

AA  
2015-16-17  
REVENUE - 2015  
2015-16-17

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 R	2014 Restated R
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>			
Service charges	23	1,058,874,027	956,109,252
Rental of facilities and equipment	24	10,449,695	8,478,909
Interest earned - external investments	25	13,752,436	9,977,021
Dividends - stock	25	15,120	15,120
Interest earned - outstanding debtors	25	13,701,549	12,301,251
Other income	27	31,371,034	27,461,247
<b>Revenue from non-exchange transactions</b>			
Gains from assets from non exchange transactions		2,474,669	898,081
Property rates	22	193,848,793	185,563,549
Property rates - penalties imposed and collection charges		1,653,336	1,580,988
Fines		49,704,425	61,697,519
Licences and permits		14,032,427	13,078,899
Government grants and subsidies	26	195,420,954	226,045,074
Other income	27	782,758	0
<b>Total Revenue</b>		<b><u>1,586,081,223</u></b>	<b><u>1,503,206,910</u></b>
<b>EXPENDITURE</b>			
Employee related costs	28	412,476,034	368,388,765
Remuneration of councillors	28	19,975,559	18,745,472
Impairment of Financial assets	29	71,708,911	104,378,640
Collection costs		5,790,096	9,239,270
Depreciation and Amortisation	30	166,067,361	165,880,394
Impairment Losses	31	2,041,000	24,651,038
Repairs and maintenance		72,374,094	59,016,273
Interest paid	32	61,024,588	58,975,521
Bulk purchases	33	543,064,879	498,813,326
Contracted services		21,786,059	19,156,320
Grants and subsidies paid	34	2,067,700	836,706
General expenses	35	238,914,809	200,561,633
Loss on disposal of property , plant and equipment		1,407,072	2,431,753
<b>Total Expenditure</b>		<b><u>1,618,698,161</u></b>	<b><u>1,531,075,111</u></b>
<b>Surplus / (Deficit) from continued operations</b>	53	<b><u>(32,616,937)</u></b>	<b><u>(27,868,202)</u></b>
<b>Surplus / (Deficit) from discontinued operations</b>	4	<b><u>0</u></b>	<b><u>(1,982,956)</u></b>
		<b><u>(32,616,937)</u></b>	<b><u>(29,851,158)</u></b>

**DRAKENSTEIN MUNICIPALITY  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	<u>2015</u>	<u>2014</u> <u>RESTATED</u>
		R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>RECEIPTS</b>			
Property rates		197,215,634	180,600,581
Sale of goods and services		1,060,262,364	979,914,963
Grants received		204,663,213	246,649,916
Interest received		13,752,436	9,840,452
Dividends received		15,120	15,120
Other receipts and fines received		97,382,156	99,042,257
<b>PAYMENTS</b>			
Employee cost		(399,508,546)	(349,603,059)
Suppliers		(913,174,589)	(878,250,458)
Interest paid		(61,024,588)	(58,975,521)
VAT paid		2,749,201	(575,134)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	36	<u>202,332,400</u>	<u>228,659,118</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment and intangible assets		(215,403,678)	(207,951,178)
Proceeds on disposal of property, plant and equipment		-	1,539,002
Decrease/(Increase) in non-current receivables		(2,302,075)	392,152
Decrease/(Increase) in call investment deposits		-	-
(Decrease)/Increase in non current investment		-	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<u>(217,705,753)</u>	<u>(206,020,024)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Decrease) / Increase in long-term liabilities		89,355,438	21,665,215
Increase in consumer deposits		2,710,616	2,536,291
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<u>92,066,054</u>	<u>24,201,506</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>76,692,701</u>	<u>46,840,600</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	21	182,832,965	135,992,365
CASH AND CASH EQUIVALENTS AT THE END OF THE YE/	21	<u>259,525,666</u>	<u>182,832,965</u>

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015**

	Note Ref.	Housing Development Fund	Revaluation Reserve	Total Accumulated Surplus	Total
		R	R	R	R
<b>BALANCE AT 30 JUNE 2013</b>		<b>42,429,598</b>	<b>1,025,993,678</b>	<b>2,415,226,054</b>	<b>3,483,649,330</b>
Correction on Interest accrued	39(b)(iv)(a)	0	0	126,741	126,741
Correction on stock adjustments	39(b)(iv)(c)	0	0	2,378	2,378
Correction of housing debtors	39(b)(iv)(d)	0	0	(1,364,973)	(1,364,973)
Correction on deposits	39(b)(iv)(e)	0	0	58,015	58,015
Correction of bulk purchases	39(b)(iv)(f)	0	0	(9,894,070)	(9,894,070)
Correction of prior year expenditure	39(b)(iv)(g)	0	0	(30,519)	(30,519)
Corrections of lease assets	39(b)(iv)(i)	0	0	1,478	1,478
Corrections of lease liability	39(b)(iv)(j)	0	0	(16,685)	(16,685)
Correction of Heritage Assets	39(b)(iv)(n)	0	0	390,212	390,212
Correction of prior year depreciation	39(b)(iv)(n)	0	0	24,045,033	24,045,033
Correction of Asset register	39(b)(iv)(n)	0	(42,724,318.82)	(4,213,023)	(46,937,342)
Correction of landfill sites	39(b)(iv)(o)	0	0	(5,317,950)	(5,317,950)
<b>RESTATED BALANCE AT 30 JUNE 2013</b>		<b>42,429,598</b>	<b>983,269,359</b>	<b>2,419,012,692</b>	<b>3,444,711,649</b>
Net surplus/(deficit) for the year		0	0	(30,948,047)	(30,948,047)
Transfer to CRR		0	0	0	0
Property, plant and equipment purchased		0	0	0	0
Intangible assets purchased		0	0	0	0
Capital grants used to purchase PPE		0	0	0	0
Asset Take-on		0	24,350,000	0	24,350,000
Asset Disposals		0	(3,008,097)	3,008,097	0
Depreciation correction		0	1,326,869	0	1,326,869
Asset Transfers from PPE to Investment property		0	7,431,789	2,440,680	9,872,469
Impairment f assets - Internal reverse transfer		0	0	0	0
Revaluation of assets		0	402,808,724	4,629,661	407,438,405
Asset Disposals (Discontinued Operations)		0	(1,636,085)	453,390	(1,182,695)
Transfer to Housing Development Fund		(11,530,325)	0	13,279,561	1,749,236
Offsetting of Depreciation		0	(9,236,985)	9,236,985	0
<b>BALANCE AT 30 JUNE 2014</b>		<b>30,899,273</b>	<b>1,405,303,574</b>	<b>2,421,115,037</b>	<b>3,857,317,886</b>
<b>PRIOR YEAR ADJUSTMENTS</b>					
Correction on Interest accrued	39(b)(iv)(a)	0	0	136,568	136,568
Correction of licence fees	39(b)(iv)(b)	0	0	(330)	(330)
Correction of bulk purchases	39(b)(iv)(f)	0	0	(2,271,917)	(2,271,917)
Correction of prior year expenditure	39(b)(iv)(g)	0	0	(31,171)	(31,171)
Corrections of lease assets	39(b)(iv)(i)	0	0	(48,431)	(48,431)
Corrections of lease liability	39(b)(iv)(j)	0	0	(60,166)	(60,166)
Correction on traffic fines	39(b)(iv)(k)	0	0	3,578,079	3,578,079
Correction on basic electricity charges	39(b)(iv)(l)	0	0	0	0
Correction of provision raised	39(b)(iv)(m)	0	0	(108,000)	(108,000)
Correction of landfill sites	39(b)(iv)(o)	0	0	(313,740)	(313,740)
		<b>30,899,273</b>	<b>1,405,303,574</b>	<b>2,421,995,928</b>	<b>3,858,198,777</b>
<b>2015</b>					
Net surplus/(deficit) for the year		0	0	(32,616,937)	(32,616,937)
Transfer to CRR		0	0	0	0
Property, plant and equipment purchased		0	0	0	0
Capital grants used to purchase PPE		0	0	0	0
Contribution to / (from) Insurance Reserve		0	0	(0)	(0)
Asset Disposals		0	(3,117,987)	9,729,656	6,611,669
Transfer to Housing Development Fund		(13,791,711)	0	15,436,046	1,644,334
Offsetting of Depreciation		0	(23,132,569)	17,244,480	(5,888,091)
<b>BALANCE AT 30 JUNE 2015</b>		<b>17,107,562</b>	<b>1,379,053,018</b>	<b>2,431,789,172</b>	<b>3,827,949,752</b>
<b>NOTE REFERENCE</b>		<b>1</b>	<b>2</b>	<b>3</b>	

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015**

DESCRIPTIONS	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget	Shifting of Funds	Virement R	Final Budget R	Actual Outcome R	Unauthorised Expenditure R	Variance R	Actual Outcome as % of Final Budget R	Actual Outcome as % of Original Budget R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	47,136,784	0	47,136,784	0	0	47,136,784	25,324,072	0	(21,812,712)	53.72%	53.72%
Non-current Assets Held-for-Sale	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Receivables from Exchange Transactions	157,034,367	0	157,034,367	0	0	157,034,367	171,779,789	0	14,745,432	109.39%	109.39%
Receivables from Non-exchange Transactions	58,124,623	0	58,124,623	0	0	58,124,623	70,184,984	0	12,060,361	120.75%	120.75%
VAT Receivable	0	0	0	0	0	0	15,092,888	0	15,092,888	200.00%	200.00%
Cash and Cash Equivalents	131,539,808	123,121,936	254,661,745	0	0	254,661,745	259,525,666	0	4,863,921	101.91%	197.30%
Operating Lease Receivables	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Current Portion of Finance Lease Receivables	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Current Portion of Long-term Receivables	271,916	0	271,916	0	0	271,916	326,947	0	55,031	120.24%	120.24%
<b>Non-Current Assets</b>											
Property, Plant and Equipment	4,451,937,323	(66,628,459)	4,385,307,864	0	0	4,385,307,864	4,519,555,681	0	134,247,816	103.06%	101.52%
Intangible Assets	10,122,728	(0)	10,122,728	0	0	10,122,728	11,130,415	0	1,007,687	109.95%	109.95%
Investment Property	93,057,000	0	93,057,000	0	0	93,057,000	54,905,000	0	(38,152,000)	59.00%	59.00%
Heritage Assets	0	0	0	0	0	0	27,542,700	0	27,542,700	200.00%	200.00%
Biological Assets	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Non-current Investments	153,005	0	153,005	0	0	153,005	141,695	0	(11,310)	92.61%	92.61%
Investments in Associates	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Finance Lease Receivables	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Long-term Receivables	1,588,946	0	1,588,946	0	0	1,588,946	3,313,839	0	1,724,893	208.56%	208.56%
<b>Total Assets</b>	<b>4,950,966,459</b>	<b>56,492,477</b>	<b>5,007,458,937</b>	<b>0</b>	<b>0</b>	<b>5,007,458,937</b>	<b>5,169,823,484</b>	<b>0</b>	<b>151,364,508</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Current Liabilities</b>											
Consumer Deposits	29,925,779	0	29,925,779	0	0	29,925,779	31,172,685	0	1,246,906	104.17%	104.17%
Provisions	33,826,253	0	33,826,253	0	0	33,826,253	75,259,681	0	41,432,628	222.49%	222.49%
Payables	180,898,083	0	180,898,083	0	0	180,898,083	197,786,673	0	16,888,590	109.34%	109.34%
Unspent Conditional Grants and Receipts	0	0	0	0	0	0	54,152,291	0	54,152,291	200.00%	200.00%
VAT Payable	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Short-term Loans	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Operating Lease Liabilities	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Liabilities associated with Assets Held-for-Sale	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Bank Overdraft	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Current Portion of Long-term Liabilities	108,932,338	0	108,932,338	0	0	108,932,338	132,932,517	0	24,000,179	122.03%	122.03%
<b>Non-Current Liabilities</b>											
Long-term Liabilities	789,826,321	0	789,826,321	0	0	789,826,321	608,325,189	0	(181,501,132)	77.02%	77.02%
Retirement Benefit Liabilities	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Non-current Provisions	186,012,438	0	186,012,438	0	0	186,012,438	231,245,488	0	45,233,050	124.32%	124.32%
<b>Total Liabilities</b>	<b>1,329,421,213</b>	<b>0</b>	<b>1,329,421,213</b>	<b>0</b>	<b>0</b>	<b>1,329,421,213</b>	<b>1,330,873,734</b>	<b>0</b>	<b>1,452,521</b>	<b>100.11%</b>	<b>100.11%</b>
<b>Total Assets and Liabilities</b>	<b>3,621,545,286</b>	<b>56,492,477</b>	<b>3,678,037,764</b>	<b>0</b>	<b>0</b>	<b>3,678,037,764</b>	<b>3,827,945,751</b>	<b>0</b>	<b>149,911,987</b>	<b>104.08%</b>	<b>105.70%</b>
<b>Net Assets (Equity)</b>											
Statutory Funds	0	0	0	0	0	0	17,107,561	0	17,107,561	200.00%	200.00%
Reserves	1,546,980,153	529,662,327	2,076,642,480	0	0	2,076,642,480	1,379,053,019	0	(699,589,462)	66.34%	69.03%
Accumulated Surplus / (Deficit)	2,072,565,133	(473,169,849)	1,599,395,284	0	0	1,599,395,284	2,431,789,170	0	832,393,886	152.04%	117.33%
<b>Total Net Assets</b>	<b>3,621,545,286</b>	<b>56,492,478</b>	<b>3,678,037,764</b>	<b>0</b>	<b>0</b>	<b>3,678,037,764</b>	<b>3,827,945,750</b>	<b>0</b>	<b>149,911,986</b>	<b>104.08%</b>	<b>105.70%</b>

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**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015**

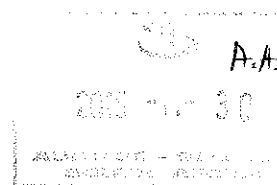
DESCRIPTIONS	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<b>FINANCIAL PERFORMANCE</b>											
Revenue from Non-exchange Transactions											
Property Rates	200,747,362	(1,368,849)	199,378,513	0	0	199,378,513	193,848,793	0	(5,529,720)	97.23%	96.56%
Property Rates - Penalties imposed and collection charges	1,267,200	0	1,267,200	0	0	1,267,200	1,653,336	0	386,136	130.47%	130.47%
Fines	5,300,875	56,020,930	61,321,805	0	0	61,321,805	49,704,425	0	(11,617,380)	81.06%	937.70%
Licences and permits	12,739,634	1,015	12,740,649	0	0	12,740,649	14,032,427	0	1,291,778	110.14%	110.15%
Income for Agency Services	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Government Grants and Subsidies Received	161,876,170	(5,155,937)	156,720,233	0	(499,081)	156,221,152	152,924,083	0	(3,297,070)	97.89%	94.47%
Public Contributions and Donations and Other	0	0	0	0	0	0	2,474,669	0	2,474,669	200.00%	200.00%
<b>Revenue from Exchange Transactions</b>											
Service Charges	1,064,601,079	35,838,511	1,100,439,591	0	3,257,803	1,103,697,394	1,058,874,027	0	(44,823,367)	95.94%	99.46%
Rental of Facilities and Equipment	21,825,158	(959)	21,824,199	0	(350)	21,823,849	10,446,695	0	(11,377,154)	47.86%	47.86%
Interest Earned - External Investments	8,964,880	1,835,641	10,800,521	0	(15,120)	10,805,401	13,752,436	0	2,947,035	127.27%	153.08%
Interest Earned - Outstanding Debtors	9,779,628	(15,120)	9,764,508	0	15,120	9,779,628	13,701,549	0	3,921,921	140.10%	140.10%
Dividends Received	15,120	0	15,120	0	0	15,120	15,120	0	0	100.00%	100.00%
Royalties Received	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Other Income	24,411,463	845,665	25,257,128	0	(3,257,453)	21,999,675	32,153,792	0	10,154,117	146.16%	131.72%
Other Gains on Continued Operations	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Gains on Disposal of Property, Plant and Equipment	250,000	250,000	250,000	0	(250,000)	0	0	0	(250,000)	0.00%	0.00%
Profit on Sale of Land	0	0	0	0	0	0	0	0	0	0.00%	0.00%
<b>Total Revenue</b>	<b>1,511,798,369</b>	<b>88,250,898</b>	<b>1,599,799,267</b>	<b>0</b>	<b>(749,081)</b>	<b>1,599,000,186</b>	<b>1,543,584,352</b>	<b>0</b>	<b>(55,715,834)</b>	<b>-3.61%</b>	<b>102.10%</b>
<b>Expenditure</b>											
Employee Related Costs	434,516,144	(18,310,445)	416,205,699	0	5,734,459	421,940,158	412,476,034	0	9,464,124	97.76%	94.93%
Remuneration of Councillors	20,452,558	0	20,452,558	0	0	20,452,558	19,975,559	0	476,999	97.67%	97.67%
Collection Costs	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Depreciation and Amortisation	162,567,656	11,541,469	174,109,125	0	(1,500,000)	172,609,125	166,087,361	0	6,541,764	96.21%	102.15%
Impairment Losses	0	0	0	0	26,000	26,000	2,041,000	0	(2,015,000)	200.00%	200.00%
Repairs and Maintenance	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Finance Costs	56,833,009	8,987,403	65,820,412	0	(945,100)	64,875,312	61,024,588	0	3,850,724	94.06%	107.38%
Bulk Purchases	537,714,495	0	537,714,495	0	5,350,410	543,064,905	543,064,879	0	26	100.00%	101.00%
Contracted Services	15,276,943	7,766,299	23,033,242	0	(582,800)	22,470,442	21,786,059	0	684,383	96.95%	142.61%
Grants and Subsidies Paid	595,000	0	595,000	0	0	595,000	597,000	0	2,000	95.29%	95.29%
Impairment of Financial assets	34,810,100	(0)	34,810,100	0	0	34,810,100	30,433,538	0	4,376,562	87.43%	87.43%
General Expenses	296,747,985	192,959,068	489,707,053	0	(5,102,969)	484,604,084	382,244,053	0	102,360,031	78.88%	128.81%
Loss on Disposal of Property, Plant and Equipment	0	5,000,000	5,000,000	0	(3,000,000)	2,000,000	1,407,072	0	592,928	70.35%	70.35%
<b>Total Expenditure</b>	<b>1,559,513,890</b>	<b>207,933,794</b>	<b>1,767,447,684</b>	<b>0</b>	<b>(0)</b>	<b>1,767,447,684</b>	<b>1,641,987,143</b>	<b>0</b>	<b>125,960,541</b>	<b>92.85</b>	<b>105.23%</b>
<b>Surplus/(Deficit)</b>	<b>(47,715,521)</b>	<b>(119,682,896)</b>	<b>(167,648,417)</b>	<b>0</b>	<b>(749,080)</b>	<b>(168,147,498)</b>	<b>(97,602,791)</b>	<b>0</b>	<b>70,644,707</b>	<b>-72.45%</b>	<b>204.34%</b>
Transfers Recognised - Capital	54,671,140	10,214,713	64,885,854	0	0	64,885,854	64,885,854	0	0	100.00%	118.68%
Contributions Recognised - Capital and Contributed Assets	0	0	0	0	0	0	0	0	0	0.00%	0.00%
<b>Surplus/(Deficit) for the Year</b>	<b>6,955,619</b>	<b>(109,468,183)</b>	<b>(103,261,644)</b>	<b>0</b>	<b>(749,080)</b>	<b>(103,261,644)</b>	<b>(32,615,937)</b>	<b>0</b>	<b>70,644,707</b>	<b>-</b>	<b>-468.33%</b>

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2015-11-30  
AUDIT REPORT

**DRAKENSTEIN MUNICIPALITY  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015**

DESCRIPTIONS	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
EXECUTIVE AND COUNCIL	14,718,225	(14,641,571)	76,654	0	0	76,654	23,412	0	(63,242)	30.54%	0.16%
BUDGET AND TREASURY OFFICE	0	519,345	519,345	0	0	519,345	515,953	0	(3,392)	99.35%	
CORPORATE SERVICES	12,441,775	13,214,238	25,656,013	0	0	25,656,013	24,814,230	0	(841,783)	96.72%	195.44%
PLANNING AND DEVELOPMENT	500,000	2,385,313	2,885,313	0	0	2,885,313	2,767,481	0	(117,832)	95.92%	553.50%
HEALTH	0	0	0	0	0	0	0	0	0		
COMMUNITY AND SOCIAL SERVICES	2,047,898	(85,829)	1,961,869	0	0	1,961,869	1,488,177	0	(473,692)	75.86%	72.68%
HOUSING	4,200,000	(653,223)	3,546,777	0	0	3,546,777	3,515,934	0	(30,843)	99.13%	83.71%
PUBLIC SAFETY	25,000	115,991	140,991	0	0	140,991	121,046	0	(19,945)	85.85%	484.18%
SPORT AND RECREATION	20,454,833	(10,206,340)	10,248,493	0	(0)	10,248,493	9,842,947	0	(405,546)	96.04%	48.12%
WASTE MANAGEMENT	16,900,000	(10,803,735)	6,096,264	0	0	6,096,264	6,094,271	0	(1,993)	99.97%	36.05%
WASTE WATER MANAGEMENT	77,620,440	(34,696,457)	42,923,983	0	0	42,923,983	42,909,851	0	(14,132)	99.97%	55.20%
ROAD TRANSPORT	53,010,977	(910,301)	52,100,676	0	0	52,100,676	51,990,355	0	(110,321)	99.79%	93.55%
WATER	57,152,017	(3,653,854)	53,498,163	0	0	53,498,163	53,469,855	0	(28,308)	99.95%	69.32%
ELECTRICITY	25,750,175	(7,215,035)	18,535,140	0	0	18,535,140	17,850,156	0	(686,984)	96.29%	
OTHER	0	0	0	0	0	0	0	0	0		
<b>Total Sources of Capital Funds</b>	<b>284,821,140</b>	<b>(65,629,459)</b>	<b>218,191,681</b>	<b>0</b>	<b>(0)</b>	<b>218,191,681</b>	<b>215,403,678</b>	<b>0</b>	<b>(2,788,003)</b>	<b>98.72</b>	<b>75.83%</b>
<b>CASH FLOW</b>											
Cash Flows from/(used in) Operating Activities	245,586,943	(48,241,781)	197,345,163	0	0	197,345,163	200,735,856	0	3,390,693	101.72	81.74%
Cash Flows from/(used in) Investing Activities	(276,276,865)	(58,084,824)	(218,192,041)	0	0	(218,192,041)	(217,705,753)	0	486,288	-	78.80%
Cash Flows from/(used in) Financing Activities	95,722,441	0	95,722,441	0	0	95,722,441	92,056,053	0	(4,666,388)	95.19	95.19%
<b>Cash/Cash equivalents at the year begin:</b>	<b>66,032,519</b>	<b>(108,326,605)</b>	<b>75,875,563</b>	<b>0</b>	<b>0</b>	<b>75,875,563</b>	<b>75,086,156</b>	<b>0</b>	<b>(779,407)</b>	<b>98.97</b>	<b>113.75%</b>
<b>Cash/Cash equivalents at the year end:</b>	<b>65,507,289</b>	<b>(113,278,893)</b>	<b>178,766,182</b>	<b>0</b>	<b>0</b>	<b>178,766,182</b>	<b>182,832,965</b>	<b>0</b>	<b>182,832,965</b>	<b>102.26</b>	<b>279.10%</b>
<b>Cash/Cash equivalents at the year end:</b>	<b>131,639,809</b>	<b>(219,605,498)</b>	<b>254,661,745</b>	<b>0</b>	<b>0</b>	<b>254,661,745</b>	<b>257,979,121</b>	<b>0</b>	<b>182,053,558</b>	<b>101.28</b>	<b>196.09%</b>

# DRAKENSTEIN MUNICIPALITY



## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. BASIS OF PRESENTATION

These annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standards of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with GRAP 3 as read with Directive 5. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in the note on changes in accounting policies

These standards are summarised as follows:


Reference	Topic
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits - issued December 2009



GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfers between entities under common control
GRAP 106	Transfers between entities not under common control
GRAP 107	Mergers
IFRS 4	Insurance contracts
IFRS 6	Exploration for and evaluation of mineral resources
IAS 12	Income taxes
IGRAP 1	Applying the probable test on initial recognition of revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a lease
IGRAP 4	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IFRIC 12	Service concession arrangements
SIC 25	Income taxes – Changes in the tax status of an enterprise or its shareholders
SIC 29	Service concession arrangements - disclosures
Directive 1	Repeal of existing transitional provisions in, and consequential amendments to, standards of GRAP
Directive 3	Transitional provisions for high capacity municipalities
Directive 5	Determine the GRAP reporting framework
Directive 7	The Application of Deemed Cost
Directive 11	Changes in the Measurement Bases Following the Initial Adoption of the Standards of GRAP
ASB Guide 1	Guideline on accounting for public private partnerships

The Cash Flow Statement is prepared using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with GRAP 3. Where required, accounting policies were developed for standards of GRAP that have been issued by the Accounting Standards Board, but for which an effective date have not yet been determined by the Minister of Finance

  
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## 2. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standards of GRAP and interpretations of the standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality:

Reference	Topic
GRAP 18	Segment Reporting - issued March 2005
GRAP 20	Related Party Disclosures (Revised)
GRAP 32	Service Concession Arrangement Grantor
GRAP 108	Statutory Receivables
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

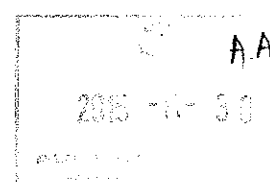
All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board or, International Financial Reporting Standards. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality has early adopted the amendments to the following standards as well as the new standards effective for periods starting after 1 July 2015:

Reference	Topic
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 13	Leases
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 31	Intangible Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfers between entities under common control
GRAP 106	Transfers between entities not under common control
GRAP 107	Mergers



Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

### 3. CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

- **Operating lease commitments – Municipality as lessor**

Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

- **Pension and other post-employment benefits**

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

- **Classification of financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on judgement by management. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

- **Impairment of financial assets**

The Accounting Policy on Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of service debtors (receivables from exchange and non-exchange transactions) is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

The calculation in respect of the impairment of fine receivables (receivables from non-exchange transactions) is based on an assessment of the past payment history of fines per category.

- **Review of useful lives of property, plant and equipment and intangible assets**

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

- **Impairment of property plant and equipment, intangible assets, heritage assets and inventory**

The Accounting Policies on Impairment of Cash and Non-cash generating assets as well as Inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to the impairment of Property, Plant and Equipment, Intangible Assets and Heritage Assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets.

- **Provisions and contingent liabilities**

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities, as set out in the note on Provisions. Provisions are discounted where the effect of discounting is material.

- **Revenue recognition**

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions. In particular: in regards to revenue from exchange revenue - when goods are sold, whether the municipality had transferred to the buyer the significant risks and rewards of ownership of the goods; and, when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. In regards to revenue from non-exchange transactions - significant estimations were made to the initial recognition and measurement of revenue on fines, on the estimated reductions on initial recognition and measurement. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

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- **Budget Information**

Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the annual financial statements

#### **4. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand and are rounded off to the nearest Rand.

#### **5. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

#### **6. OFFSETTING**

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **7. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act (Act No. 107 of 1997).

##### **7.1 Housing Development Fund**

Sections 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, required that the Municipality maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, inter alia, Section 16(2), that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, be paid into a separate operating account, and be utilised by the Municipality for housing development in accordance with the National Housing Policy.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the National Minister of Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

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## **7.2 Un-realised Housing Proceeds**

In order to comply with Section 14(4)(d)(i) and (ii) of the Housing Act, (Act 107 of 1997) where all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account which represents the un-realized funds due by long-term housing selling schemes and sponsored loan debtors. This account is reduced when debtors are billed for their payment.

## **8. INTERNAL RESERVES AND REVALUATION RESERVE**

### **8.1 Insurance Reserve**

A general Insurance Reserve has been established and, subject to re-insurance where deemed necessary, it covers claims not covered by external insurance. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets. Insurance premiums paid to external insurers are regarded as an expense and are shown as such in the Statement of Financial Performance. The net surplus or deficit on the insurance operating account is transferred to or from the insurance reserve via the Statement of Changes in Net Assets.

The cash in the municipal bank or investment account, as per cash and cash equivalents in the Statement of Financial Position, is ring-fenced and can only be utilised to finance items of property, plant and equipment.

### **8.2 Revaluation Reserve**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as re-valued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/ (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/ (deficit) while gains or losses on disposal, based on re-valued amounts are credited or charged to the Statement of Financial Performance.

## **9. PROVISIONS**

Provisions are recognized when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of

exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

## **9.1 Environmental rehabilitation provisions**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

## **10. PROPERTY, PLANT AND EQUIPMENT**

### **10.1 Initial recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

## 10.2 Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation."

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

## 10.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

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The estimated useful life, residual values and depreciation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Asset class	Useful lives as applied in the AR (years)
<b>Infrastructure</b>	
Roads and storm water	5-100
Electricity	5-75
Water	5-100
Sewerage	5-100
Solid Waste	5-100
<b>Buildings, structures and facilities</b>	
Buildings	50
Recreational and sports facilities	5-100
Parks, gardens and cemeteries	5-100
Housing assets	50
<b>Other assets</b>	
Transport Assets	5-20
Computer and other office equipment	3-10
Furniture & fittings	5-10
Machinery and equipment	5-10

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

#### 10.4 De-recognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

### 11. INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an

Intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortization is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **12. INVESTMENT PROPERTIES**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use.
- A building owned (or held by under a finance lease) and leased out under one or more operating leases.
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held.
- A building that is vacant but is held to be leased out under one or more operating leases.
- Property that is being constructed or developed for future use as investment property;

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers on reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy for property, plant and equipment).

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **13. HERITAGE ASSETS**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

The Municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified as Heritage Assets. Furthermore land with a natural significance is not componentised but seen as a single Heritage asset due to all parts contributing together to make up its significance.

GRAP 103 requires that land and buildings that qualify as Heritage assets, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, should be recognised as property, plant and equipment, rather than heritage assets.

#### **13.1 Initial recognition**

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

### **13.2 Subsequent measurement**

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding Heritage assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

Subsequent to initial recognition, land and buildings which qualify as Heritage Assets are carried at a revalued amount based on municipal valuations less subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

### **13.3 De-recognition of heritage assets**

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

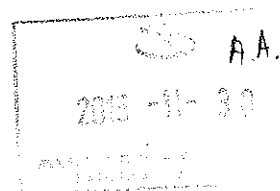
### **13.4 Transitional provisions**

The municipality utilised the transitional provisions under Directive 3, allowing 3 year for the measurement of heritage assets, which ended on 30 June 2015. In accordance with Directive 3, any adjustments to measurement of Heritage assets has been accounted for retrospectively.

## **14. INVENTORIES**

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for plants which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventories comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition.



Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

#### **14.1 Water inventory**

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

#### **14.2 Housing inventory**

Housing inventory is BNG (Building New Ground) houses still in process of construction, or completed and not yet transferred. These houses are entirely funded by the National Department of Human Settlements, through the Western Cape Department of Human Settlements, but the Municipality is regarded as a principal where it controls the construction process as per the current interpretation of Agent and Principal transactions in terms of GRAP and therefore recognises these costs as inventory up to the point of transfer to the allocated beneficiary where after the cost is expensed through the Statement of Financial Performance. Housing inventory is measured at the lower of cost and current replacement cost as they will be distributed through a non-exchange transaction.

### **15. DISCONTINUED OPERATIONS**

#### **15.1 Initial recognition**

A discontinued operation refers to the disposal of a significant operating activity within the Municipality.

#### **15.2 Subsequent measurement**

Disposal groups were measured at the lower of their previous carrying amount and fair value less costs to sell in the previous reporting period. Subsequently they were not depreciated (or amortised) while being held as a disposal group.

Interest and other expenses attributable to the liabilities of the disposal group classified as held for sale were recognised in surplus or deficit.

The gain or loss on the disposal of the discontinued operation is presented separately from continuing operations on the face of the Statement of Financial Performance.

During the 2013/14 year, the Municipality disposed of its disposal group previously held and early adopted the amendments to GRAP 100 – Discontinued Operations. The amendments to GRAP 100 are applied prospectively in accordance with the Standard.

## **16. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND HERITAGE ASSETS**

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

### **16.1 Impairment of cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.



## **17. EMPLOYEE BENEFITS**

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

### **17.1 Short-term employee benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

### **17.2 Post-employment benefits: Defined contribution plans**

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

### **17.3 Post-employment benefits: Defined benefit plans**

A **defined benefit plan** is a plan that defines an amount of benefit that an employee will receive on retirement.

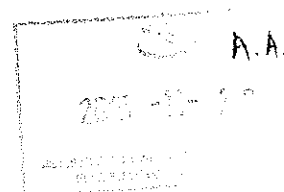
The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

#### **17.3.1 Post-retirement Health Care Benefits:**

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.





Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

### **17.3.2 Ex-gratia Pension Benefits:**

The Municipality provides pension and retirement gratuity benefits to certain employees who were in the employment of the former Paarl and Wellington Municipalities (now incorporated into the Drakenstein Municipality) at 31 December 1994 (Paarl) and 31 March 1995 (Wellington) and still in the employment of Drakenstein Municipality at date of normal retirement, medical disability, retrenchment or death. The gratuity is calculated on the salary benefits during 1994/1995.

### **17.4 Long-service allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

### **17.5 National- and Provincially administered defined benefit plans**

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year it becomes payable. These defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

The municipality does not apply defined benefit accounting to the defined benefit funds to which it is a member, where these funds are classified as multi-employer plans in terms of GRAP 25, as sufficient information is not available to apply the principles involved. As a result, GRAP 25 is applied and such funds are accounted for as defined contribution funds.

Salaried personnel are members of the Cape Joint Pension and Cape Joint Retirement fund established in terms of the Local Authorities Pension Fund Ordinance, 1969 (Ordinance 23 of 1969), and the provisions of the Pension Fund Act, 1956 (Act 24 of 1956), the SAMWU National Provident Fund and the National Fund for Municipal Workers. Councillors belong to the Municipal Councillors Pension Fund.

### **17.6 Leave pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position.

### **17.7 Provision for bonus**

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

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## **18. LEASES**

### **18.1 Lease classification**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

### **18.2 The Municipality as lessee**

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### **18.3 The Municipality as lessor**

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

## **19. BORROWINGS**

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

Borrowing costs are recognised as an expense in the Statement of Financial Performance in the period incurred.

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## 20. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

### 20.1 Classification of financial instruments

#### 20.1.1 Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

*Financial asset at amortised cost* being a non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

*Financial assets measured at fair value* being financial assets that meet either of the following conditions:

- (a) Derivatives;
- (b) Combined instruments that are designated at fair value;
- (c) Instruments held for trading;
- (d) Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

*Financial assets measured at cost* being investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Finance Lease Receivables	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Current portion of Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Investments in stock – ESKOM	Financial assets at fair value

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

### **20.1.2 Financial Liabilities**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of Financial Liabilities and the classification determining how they are measured exist:

- (i) Financial liabilities measured at fair value; or
- (ii) Financial liabilities measured at amortised cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Any other financial liabilities should be classified as financial liabilities at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

## **20.2 Initial and subsequent measurement**

### **20.2.1 Financial assets:**

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses

recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

### **20.2.2 Financial liabilities:**

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

## **20.3 Impairment of financial assets**

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Trade receivables encompass long term debtors, consumer debtors and other debtors. A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 104, the assessment for impairment needs to be made for each individual financial asset separately or for groups of financial assets with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

### **20.3.1 Consumer debtors**

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

### **20.3.2 Other debtors**

Other Debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

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### **20.3.3 Long term debtors**

- **Housing Loans**

The loans in this group are assessed by reviewing their payment histories and ratios. Provision for impairment is made accordingly.

- **Other Long Term Debtors**

No provision for impairment is made for Other Long term Debtors, because it is envisaged that these debts will be fully recovered.

Other financial assets at amortised cost are assessed individually for impairment.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### **20.4 De-recognition of financial assets**

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### **20.5 De-recognition of financial liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

## **21. REVENUE RECOGNITION**

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not

considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

## **21.1 Revenue from exchange transactions**

### **21.1.1 Service charges**

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

### **21.1.2 Pre-paid electricity**

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

### **21.1.3 Interest earned and rentals received**

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund or the Insurance Reserve.

Interest earned on the following investments is not recognized in the Statement of Financial Performance:-

- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

#### **21.1.4 Dividends**

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

#### **21.1.5 Tariff charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

#### **21.1.6 Income from agency services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement. Where the Municipality is regarded as an agent and the revenue and expenditure in terms of these transactions are set-off.

#### **21.1.7 Housing rental and instalments**

Finance income from the sale of housing by way of instalment sale agreements or finance leases is recognised on a time proportion basis.

#### **21.1.8 Sale of goods**

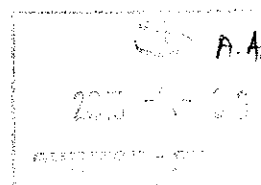
Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **21.2 Revenue from non-exchange transactions**

#### **21.2.1 Rates and taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate





tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

### **21.2.2 Fines**

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect. This was 98% of the value of the fines issued.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate. This was 82% of the value of the fines issued.

### **21.2.3 Donations and contributions**

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

### **21.2.4 Government grants and receipts**

- **Unconditional grants**

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

- **Conditional grants and receipts**

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

- **Interest earned on unspent grants and receipts**

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance in accordance with GRAP 9.

#### ***21.2.5 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure***

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

#### ***21.2.6 Services received in kind***

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

## **22. VALUE ADDED TAX**

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

## **23. GRANTS-IN-AID**

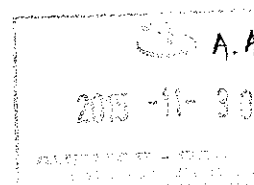
The municipality transfers money to individuals, organizations and other sectors of government from time to time. When making these transfers, the municipality does not:-

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognized in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

## **24. UNAUTHORISED EXPENDITURE**

Section 1 of the Municipal Finance Management Act (MFMA), No 56 of 2003, defines "unauthorised expenditure" as follows –



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- (a) Overspending of the total amount appropriated in the municipality's approved budget;
  - (b) Overspending of the total amount appropriated for a vote in the approved budget;
  - (c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
  - (d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose or
  - (e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
  - (f) a grant by the municipality otherwise than in accordance with this Act;

Section 1 of the MFMA also defines a "vote" as:

- a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned

The Municipality uses the Government Finance Statistics (GFS) functions as well as directorates as the main groupings of segments of the Municipality's budget segments within the Municipality are grouped per directorate to facilitate greater accountability and budget implementation by the respective Executive Managers as well as per GFS classification to facilitate comparisons on a higher level.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **25. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **26. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **27. FOREIGN CURRENCIES**

Transactions in foreign currencies are translated to the functional currency of the entity at exchange

rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

## **28. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

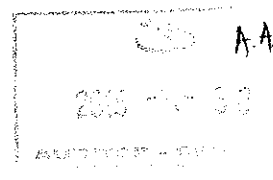
Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the annual financial statements where applicable.

## **29. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager and Section 56 Executive Managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.



### **30. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

### **31. COMPARATIVE INFORMATION AND BUDGET INFORMATION**

#### **31.1 Current year comparatives**

The annual budget figures have been prepared in accordance with the Budget Reporting regulation on the accrual basis of accounting and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving motivations for over- or under spending on line items where it is found to be material. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2014 to 30 June 2015.

In general a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

#### **31.2 Prior year comparatives**

The comparative figures of only one prior period is disclosed. When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

### **32. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

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2014-2015  
Annual Financial Statements  
Page 41

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	Restated 2014 R
<b>1. HOUSING DEVELOPMENT FUND</b>		
<i>Realised Housing Proceeds</i>		
Balance at beginning of the year	26,802,015	37,897,158
Pius : Interest & Redemption & Other on Housing Schemes	2,713,766	2,756,524
Less : (Net Loss) / Surplus on letting schemes	(15,436,046)	(13,279,561)
Less : Housing Subsidies Expenditure	(615,565)	(572,106)
Balance at the end of the year	13,464,171	26,802,015
<i>Unrealised Housing Proceeds</i>		
Balance at beginning of the year	4,097,258	4,532,439
Long term Housing Loans	(453,868)	(435,181)
Balance at the end of the year	3,643,390	4,097,258
<b>TOTAL</b>	<b>17,107,561</b>	<b>30,899,273</b>

**2. REVALUATION RESERVE**

Re-valuation Reserve	1,379,053,018	1,405,303,574
<b>Total Reserves</b>	<b>1,379,053,018</b>	<b>1,405,303,574</b>

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Distributions from the Revaluation Reserve can be made where they are in accordance with the requirements of the municipality's accounting policy. The payment of cash distributions out of the reserve is restricted by the terms of the municipality's accounting policy. These restrictions do not apply to any amounts transferred to Accumulated Surplus. The Council do not currently intend to make any distribution from the Revaluation Reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Reserves.

**3. ACCUMULATED SURPLUS**

<b>Total Accumulated Surplus</b>	<b>2,431,789,172</b>	<b>2,421,995,928</b>
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Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

Accumulated surplus has been restated according to GRAP 3. Refer to note 39 for more detail of the restatement.

**4. DISCONTINUED OPERATIONS**

*Health Services discontinued*

**Statement of Financial Performance at date of discontinuation**

Revenue	0	0
Less: Expenditure	0	1,982,956
	0	1,982,956
Inter-departmental charges	0	0
<b>Deficit for the Year</b>	<b>0</b>	<b>1,982,956</b>

2015-16-30  
 2015-16-30  
 2015-16-30

[illegible]

	<b>0</b>		<b>0</b>
	0		0
	0		0
	<b>0</b>		<b>0</b>
	0		0
	0		0
	<b>0</b>		<b>0</b>

	<b>0</b>		<b>0</b>
	0		0
	0		0
	<b>0</b>		<b>0</b>
	0		0
	0		0
	<b>0</b>		<b>0</b>
	0		0
	0		0
	<b>0</b>		<b>0</b>
	0		0
	0		0

741,257,706	651,902,268
<u>741,257,706</u>	<u>651,902,268</u>
(132,932,517)	(115,669,897)
<u>(132,932,517)</u>	<u>(115,669,897)</u>
608,325,189	536,232,371

2015 R	2014 R
127,693,000	117,522,021
3,964,000	4,978,000
<b>131,657,000</b>	<b>122,500,021</b>
(7,545,000)	(6,983,000)
(7,232,000)	(6,603,000)
(313,000)	(380,000)
<b>124,112,000</b>	<b>115,517,021</b>

## P43

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

2015-16  
 2015-16  
 2015-16

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service Members (Employees)	568	559
Continuation Members (Retirees)	218	206
<b>Total Members</b>	<b>786</b>	<b>765</b>

The liability in respect of past service has been estimated as follows:

In-service Members	50,423,000	51,270,000
Continuation Members	77,270,000	66,252,000
<b>Total Liability</b>	<b>127,693,000</b>	<b>117,522,000</b>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Key Health
- LA Health
- Fed Health
- Samwumed

The Future-service Cost for the ensuing year is estimated to be R 2,923,000 whereas the Interest Cost for the year after is estimated to be R 11,500,000

The principal assumptions used for the purposes of the actuarial valuations were as follows:

**i) Rates of Interest**

Discount Rate	Yield curve	8.94%
CPI (Consumer Price Inflation)	between nominal	7.05%
Health Care Cost Inflation Rate	CPI+1%	8.60%
Net Effective Discount Rate	Yield curve based	8.20%

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

The Actuaries used the nominal and real zero curves as at 30 June 2015 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

**ii) Mortality rates**

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

**iii) Normal retirement age**

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

The amounts recognised in the Statement of Financial Position are as follows:

Fair value of plan assets	0	0
Unrecognised Actuarial Gains / (Losses)	127,693,000	117,522,000
Present value of unfunded obligations	0	0
<b>Total Benefit Liability</b>	<b>127,693,000</b>	<b>117,522,000</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	2,976,000	2,390,513
Interest cost	10,353,000	9,066,423
Actuarial losses / (gains) recognised	4,124,369	1,189,142
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 28)</b>	<b>17,453,369</b>	<b>12,646,078</b>

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	117,522,000	111,610,129
Service costs	2,976,000	2,390,513
Interest cost	10,353,000	9,066,423
Benefits paid	(7,282,369)	(6,734,207)
Actuarial losses / (gains) recognised	4,124,369	1,189,142
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>127,693,000</b>	<b>117,522,000</b>



**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Movements in the present value of the Defined Benefit Assets were as follows:**

Balance at the beginning of the year	0	0
Contributions from the employer	7,282,369	6,734,207
Benefits paid	(7,282,369)	(6,734,207)
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>

**The history of experienced adjustments is as follows:**

	2015 R	2014 R	2013 R	2012 R	2011 R
Present Value of Defined	127,693,000	117,522,000	111,610,119	106,550,875	115,586,597
Fair Value of Plan Assets	0	0	0	0	0
<b>Deficit</b>	<b>127,693,000</b>	<b>117,522,000</b>	<b>111,610,119</b>	<b>106,550,875</b>	<b>115,586,597</b>
Experienced adjustments on	0	0	0	0	0

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	+1% Increase	-1% Decrease
Effect on the defined benefit obligation	2,987,000	2,827,000
Effect on the aggregate of the interest cost	130,624,000	123,799,000
Effect on the aggregate of the current service cost	11,772,000	11,139,000

**Total accrued liability**

+20% Mortality Increase	-20% Mortality Decrease
----------------------------	----------------------------

The effect of a 20% movement in the assumed mortality rates are as follows on the ensuing years assumptions:

Total accrued liability	119,977,000	136,889,000
Effect on the aggregate of the interest cost	10,786,000	12,352,000
Effect on the aggregate of the current service cost	2,742,000	3,130,000

The municipality expects to make a contribution of R 7,232,000 to the Defined Benefit Plan during the next financial year.

Refer to Note 47 "Other Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

**6.2 Ex-Gratia Pension Benefits**

The Municipality provides pension and retirement gratuity benefits to certain employees who were in the employment of the former Paarl and Wellington Municipalities (now incorporated into the Drakenstein Municipality) at 31 December 1994 (Paarl) and 31 March 1995 (Wellington) and still in the employment of Drakenstein Municipality at date of normal retirement, medical disability, retrenchment or death. The gratuity is calculated on the salary benefits during 1994/1995.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Ms Hildegard Wilson of ZAQEN Actuaries Pty(Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Ex-Gratia Pension Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service Members (Employees)	243	282
Continuation Members (Retirees)	27	39
<b>Total Members</b>	<b>270</b>	<b>321</b>

The liability in respect of past service has been estimated as follows:

In-service Members	0	0
Continuation Members	3,964,000	4,978,000
<b>Total Liability</b>	<b>3,964,000</b>	<b>4,978,000</b>
Lump Sum Benefit	1,966,000	2,239,000
Pension Benefit	1,998,000	2,739,000
	<b>3,964,000</b>	<b>4,978,000</b>

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

The contribution rate payable is as follows:

For continuation members, the member contribution is 70 % and the Council contribution is 30%. For current employees the contribution rate is 60/40.

The interest-cost for the next year is estimated to be R 326,000. Actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

**i) Rates of Interest**

Discount Rate  
Consumer Price Inflation (CPI)  
Pension increase rate - pensioners  
Net Effective Discount Rate

**Lump sum  
valuation**  
8.75%  
7.04%  
8.04%  
0.66%

**Prior Combined**  
8.31%  
6.68%  
7.68%  
0.59%

Discount Rate  
Consumer Price Inflation (CPI)  
Pension increase rate - pensioners  
Net Effective Discount Rate

**Pensioner  
Valuation**  
8.60%  
6.60%  
7.60%  
0.93%

**Pensioner  
Valuation**  
8.31%  
6.68%  
7.68%  
0.59%

In accordance with GRAP 25 the discount rate was determined using the implied duration of the liability to obtain an appropriate interest rate on the yield curve. The nominal and real zero curves as at 30 June 2015 supplied by the JSE was used to determine the discounted rates and CPI assumptions.

**ii) Mortality rates**

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

**iii) Normal retirement age**

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

**The amounts recognised in the Statement of Financial Position are as follows:**

Fair value of plan assets  
Unrecognised Actuarial Gains / (Losses)  
Present value of unfunded obligations

0	0
0	0
3,964,000	4,978,000

<b>3,964,000</b>	<b>4,978,000</b>
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**Total Benefit Liability**

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost  
Interest cost  
Actuarial losses / (gains) recognised

0	0
397,000	410,235
(980,033)	(657,295)

<b>(583,033)</b>	<b>(247,060)</b>
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**Total Post-retirement Benefit included in Employee Related Costs (Note 28)**

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year  
Service costs  
Interest cost  
Benefits paid  
Actuarial losses / (gains) recognised

4,978,000	5,620,123
0	0
397,000	410,235
(430,967)	(377,063)
(980,033)	(675,295)

<b>3,964,000</b>	<b>4,978,000</b>
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**Present Value of Fund Obligation at the end of the Year**

**Movements in the present value of the Defined Benefit Assets were as follows:**

Balance at the beginning of the year  
Contributions from the employer  
Benefits paid

0	0
430,967	377,063
(430,967)	(377,063)

<b>0</b>	<b>0</b>
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**Balance at the end of the year**

2015-11-30

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

The history of experienced adjustments is as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Fair Value of Plan Assets	3,964,000 0	4,978,000 0	5,602,123 0	7,468,823 0	6,896,414 0
<b>Deficit</b>	<b>3,964,000</b>	<b>4,978,000</b>	<b>5,602,123</b>	<b>7,468,823</b>	<b>6,896,414</b>
Experienced adjustments on	0	0	0	0	0

The effect of a 1% movement in the assumed rate of pension increase inflation is as follows:

	1% Decrease	1% Increase
Effect on the interest cost	4,131,000	3,894,000
Effect on the defined benefit obligation	335,000	315,000

The municipality expects to make a contribution of R 313,000 to the Defined Benefit Plan during the next financial year.

Refer to Note 47 "Other Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

## 7. PROVISIONS

	2015	2014
Balance of Current Provisions at end of year	67,713,881	30,087,224
Balance of Non-current Provisions at end of year	107,133,498	82,820,463
<b>Balance of Provisions at end of year</b>	<b>174,847,379</b>	<b>112,907,687</b>

### 7.1 Provision for rehabilitation are reconciled as follows :

The movement in Provisions are reconciled as follows:  
**Landfill site**

Balance at beginning of year	71,984,149	68,245,517
Contributions in current year	58,136,426	4,052,372
Rehabilitation expenditure during the year	(7,242)	(313,740)
<b>Balance of landfill site</b>	<b>130,113,333</b>	<b>71,984,149</b>
<b>Balance of Current Provisions for Rehabilitation at end of year</b>	<b>51,672,836</b>	<b>16,606,687</b>
<b>Balance of Non-current Provisions for Rehabilitation at end of year</b>	<b>78,440,497</b>	<b>55,377,462</b>
<b>Balance of Provisions for Rehabilitation at end of year</b>	<b>130,113,333</b>	<b>71,984,149</b>

The council will incur further rehabilitation cost on its seven unrehabilitated dumping/landfill sites over the period 2015/16 up to 2022/23. Provision has been made for the net present value of this cost.

	Proposed Rehabilitation	2014/2015	2013/2014
Wellington Existing	2022/2023	24,270,291	24,495,481
Wellington Old	2022/2023	16,442,040	16,753,001
Gouda	2015/2016	3,936,813	1,287,755
Saron	2015/2016	6,402,750	2,594,507
Hermon	2018/2019	6,454,733	1,111,277
Dal Josafat	2017/2018	10,798,343	3,498,541
Orleans	2016/2017	20,475,090	8,231,408
Boy Louw (Zanddrift)	2015/2016	41,333,273	14,012,179
		<b>130,113,333</b>	<b>71,984,149</b>

Jan Palm Consulting Engineers CC, a firm of specialist waste management consultants have been used to determine the valuation of landfills due to their extensive experience within the field of waste management. Their independence from management is monitored as their services has been used for several years. The firm is registered with the South African Council of Engineers (registration no. 870047).

Based on the work provided by Jan Palm Consulting Engineers, an applicable inflation rate of 4.8 - 5.9% has been determined and a discounted rate of 5.95% has been utilised.

The funding required by the municipality to fund the rehabilitation has been assessed and based on the cost of, loss of revenue from investments per the rates as disclosed in note 46.6, the municipality assessed the effected of, discounting coupled with the future inflation rate to approximate the current cost of the expected rehabilitation cost as disclosed above.

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

During the reporting period the provision for the rehabilitation of landfills was significantly increased for the Saron, Dal Josafat, Orleans, Hermon, Gouda and Boy Louw sites. The reason for the additional costs is that Department of Water and Sanitation's approach is that the Minimum Requirements for Waste Disposal by Landfill (second edition 1998) proposed capping designs are only applicable if the landfills under consideration have the Minimum Requirements for Waste Disposal by Landfill (second edition 1998) proposed base liners and leachate management systems in place. If not then the the Minimum Requirements for Waste Disposal by Landfill (second edition 1998) proposed capping layers cannot be used and the capping design must make provision for the lack of a base liner underneath the landfill. This is in line with Department of Water and Sanitation's approach (as found with the licensing applications submitted during the 2014/15 financial year) and responsibility to ensure that these facilities do not generate further leachate over the long-term as a result of precipitation. None of these sites were constructed with impermeable base liners and therefore require capping designs that prevent the infiltration of water that would generate leachate. Only the Wellington landfill, which was constructed with a base liner and leachate management system, would not require additional capping layers as to what was previously used in the estimates.

**7.2 Provision for long service awards**

Provision for Long Service Awards

31,925,000	30,522,000
<b>31,925,000</b>	<b>30,522,000</b>
(3,232,000)	(3,079,000)
<b>28,693,000</b>	<b>27,443,000</b>

Less: Transfer to Current Provisions

**Total Non-current Provisions**

**Long Service Awards**

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuation of the present value of the defined benefit provision was carried out at 30 June 2015 by Ms Hildegard Wilson of ZAQEN Actuaries Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 1,673 employees were eligible for Long-services Awards.

The Future-service Cost for the ensuing year is estimated to be R 2,916,000, whereas the Interest Cost for the year after is estimated to be R 2,341,000.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	Yield curve	7.96%
CPI (Consumer Price Inflation)	between nominal	6.33%
Normal Salary Increase Rate	CPI+1%	7.33%
Net Effective Discount Rate	Yield curve based	0.59%

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

The Actuaries used the nominal and real zero curves as at 30 June 2015 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

**The amounts recognised in the Statement of Financial Position are as follows:**

Fair value of plan assets	0	0
Present value of unfunded obligations	31,925,000	30,522,000
<b>Total Benefit Provision</b>	<b>31,925,000</b>	<b>30,522,000</b>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	2,272,000	1,241,235
Interest cost	2,445,000	1,192,377
Past service cost	0	0
Actuarial Losses / (gains) recognised	(685,957)	11,998,993
<b>Total expense included in Employee Related Costs (Note 28)</b>	<b>4,031,043</b>	<b>14,432,605</b>

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	30,522,000	17,892,023
Current service costs	2,272,000	1,241,235
Interest cost	2,445,000	1,192,377
Benefits paid	(2,628,043)	(1,802,628)
Actuarial Losses / (gains) recognised	(685,957)	11,998,993

<b>Balance at the end of the year</b>	<b>31,925,000</b>	<b>30,522,000</b>
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<b>Total Current Provisions at end of the year</b>	<b>3,232,000</b>	<b>3,079,000</b>
<b>Total Non-current Provisions at end of the year</b>	<b>28,693,000</b>	<b>27,443,000</b>
<b>Total Provisions at the end of the year</b>	<b>31,925,000</b>	<b>30,522,000</b>

**Movements in the present value of the Defined Benefit Assets were as follows:**

Balance at the beginning of the year	0	0
Contributions from the employer	2,628,043	1,802,628
Benefits paid	(2,628,043)	(1,802,628)

<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>
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The effect of a 1% movement in the withdrawal rates are as follows on the ensuing years assumptions:

	<b>1% Increase</b>	<b>1% Decrease</b>
Effect on the defined benefit obligation	34,560,000	29,571,000
Effect on the aggregate of the interest cost	2,570,000	2,140,000
Effect on the aggregate of the current service cost	3,167,000	2,691,000

The effect of a 20% movement in the withdrawal rates are as follows on the ensuing years assumptions:

	<b>+20% Mortality Increase</b>	<b>-20% Mortality Decrease</b>
Effect on the defined benefit obligation	30,284,000	33,769,000
Effect on the aggregate of the interest cost	2,165,000	2,547,000
Effect on the aggregate of the current service cost	2,757,000	3,094,000

The municipality expects to make a contribution of R 3,232,000 to the defined benefit plan during the next financial year.

**7.3 Provision for bonuses**

Provision for bonuses are reconciled as follows :

11,148,734	10,401,538
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**The movement in Provisions are reconciled as follows:**

**Provision for bonuses**

Balance at beginning of year	10,401,538	9,533,577
Net movement	747,196	867,961
<b>Balance at the end of the year</b>	<b>11,148,734</b>	<b>10,401,538</b>

**Balance of Current Provisions for Bonuses at beginning of year**

10,401,538	9,533,577
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**Balance of Current Provisions for Bonuses at end of year**

11,148,734	10,401,538
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Service bonuses are granted to municipal employees as a 13th cheque. An estimate amount for the provision raised is determined according to the amount accruing to employees from December to June which is based on their salaries earned at 30 June 2015 of each year.

**7.4 Provision for performance bonuses.**

Provision has been made for performance bonuses in accordance with the performance agreements with each Executive Manager and the Municipal Manager using the best estimate of the potential performance bonus payable. The actual bonuses will only be paid once the evaluation committee appointed in terms of the Performance Management regulations has reviewed the performance agreements of the Executive Management team and made a recommendation to the Council for final approval. This process will be performed once the draft annual report for the 2014/15 year has been submitted to Council in January 2016. The performance bonuses has been provided as follows:

**Executive Management Team**

Mettler JF (Municipal Manager)	243,498	-
Carstens J (Chief Financial Officer)	188,062	-
Boshoff GBF (Executive Manager Social Services)	184,695	-
De Beer AME (Executive Manager Corporate Services)	188,062	-
Louw J (Executive Manager Infrastructure)	184,695	-
Adam AM (Executive Manager Planning and Economic Development)	187,685	-
	<b>1,176,697</b>	<b>-</b>

**The movement in Provisions are reconciled as follows:**

**Provision for performance bonuses**

Balance at beginning of year	0	0
Net movement	1,176,697	0
<b>Balance at the end of the year</b>	<b>1,176,697</b>	<b>0</b>

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

Balance of Current Provisions for performance bonuses at beginning of year	0	0
Balance of Current Provisions for performance bonuses at end of year	1,176,697	0

**7.5 Provision for legal fees.**

Provision for legal fees are reconciled as follows:

483,613 0

**The movement in Provisions are reconciled as follows:**

**Provision for legal fees**

Balance at beginning of year

0 0

Net movement

483,613 0

**Balance at the end of the year**

483,613 0

**Balance of Current Provisions for legal fees at beginning of year**

0 0

**Balance of Current Provisions for legal fees at end of year**

483,613 0

An application was lodged to set aside the tender award for the development of the Paarl Waterfront by the Paarl Waterfront Development Company by the Drakenstein Heritage Foundation & Others during November 2013. The matter was set down for hearing August 2014 and settled on 1 June 2015. The Municipality is responsible for the Party and Party Bill of costs which is estimated not to be more than R483,613.30, which was submitted for taxation. Therefore a provision is made for the estimated legal fees.

**8. CONSUMER DEPOSITS**

Electricity and Water

31,172,685 28,462,069

Guarantees held in lieu of Electricity and Water Deposits

*Guarantees held in lieu of Electricity and Water Deposits were R 16,344,834 (2014 : R 14,945,034 )*

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

**9. PAYABLES**

**Payables from Exchange transactions**

Trade Creditors

83,528,118 92,316,569

Staff Leave provision

24,612,103 21,807,365

Payments received in advance

22,271,373 21,423,014

Other creditors

77,944,142 70,069,302

Rental Leases Expenditure : Straight lining

87,245 76,852

VAT on provision for doubtful debt

(10,656,308) (11,622,539)

**Total Creditors**

197,786,673 194,070,563

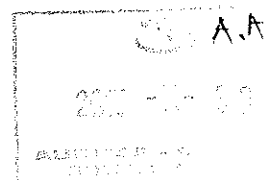
The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit time frame.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

The total liability in respect of leave amounts to R 24,612,103 (2014: R 21,807,365) as at 30 June 2015, the full amount is provided for.

Payables from exchange transactions has been restated according to GRAP 3. Refer to note 39 for more detail of the restatement.



**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

*Conditional Grants from other spheres of Government*

National Government (Unconditional Grants)  
National Government (Other)  
National Government (Conditional Grants)  
Provincial Government (Conditional Grants)  
Guarantees and Donations (Unconditional)

	54,152,291	38,695,618
	0	0
	1,624,357	8,323,399
	42,042,582	23,663,143
	7,704,165	4,092,460
	2,781,187	2,616,616
<b>Total Conditional Grants and Receipts</b>	<b>54,152,291</b>	<b>38,695,618</b>

These amounts are separately invested in terms of section 12 of the MFMA. Refer note 26 for more detail of grants from National and Provincial Government

Refer to Appendix "D" for more detail on Conditional Grants.

Unspent Conditional Grants and Receipts has been reclassified, refer to note 39 for more detail information.

**11. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated Depreciation and Impairment	Carrying Value
	R	R	R
<b>30 June 2015</b>			
Land	870,518,486	(2,015,000)	868,503,486
Buildings, structures and facilities	871,514,779	(78,456,234)	793,058,545
Infrastructure	5,345,024,610	(2,595,382,866)	2,749,641,744
Other Assets	256,703,236	(155,545,379)	101,157,857
Capital Spares	7,195,469	0	7,195,469
<b>Total Property, Plant and Equipment</b>	<b>7,350,956,580</b>	<b>(2,831,399,479)</b>	<b>4,519,557,101</b>
	Cost	Accumulated Depreciation and Impairment	Carrying Value
	R	R	R
<b>30 June 2014</b>			
Land	871,207,986	0	871,207,986
Buildings, structures and facilities	854,555,592	(39,847,987)	814,707,605
Infrastructure	5,171,420,476	(2,485,462,905)	2,685,957,571
Other Assets	238,447,199	(145,683,648)	92,763,551
Capital Spares	7,838,914	0	7,838,914
<b>Total Property, Plant and Equipment</b>	<b>7,143,470,167</b>	<b>(2,670,994,540)</b>	<b>4,472,475,627</b>

A reconciliation of the carrying amount at the beginning and end of the period is set out in detail in Appendix B.

Total Property, Plant and Equipment held by the municipality at 30 June 2015 comprised the amounts analyzed as above.

Revaluation of all land & buildings was performed by an accredited valuator Mr E Marais of Erik Marais and Associates (T/A Rhode Valuations Wellington) Reg No 1988/011175/23).

**RECONCILIATION OF CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings, structures and facilities	Infrastructure	Other Assets	Capital Spares	Total
<b>Carrying values as at July 2014</b>	<b>871,207,986</b>	<b>814,707,605</b>	<b>2,685,957,571</b>	<b>92,763,551</b>	<b>7,838,914</b>	<b>4,472,475,629</b>
Cost and revaluation	871,207,986	854,555,592	5,171,420,476	238,447,199	7,838,914	7,143,470,168
Accumulated depreciation	0	(39,847,987)	(2,485,462,905)	(145,683,648)	0	(2,670,994,539)
Acquisitions	0	17,312,446	66,475,277	21,609,605	0	105,397,328
Adjustments / WIP	0	353,241	107,128,857	0	(643,445)	106,838,653
Depreciation	0	(38,625,116)	(109,919,961)	(13,187,358)	0	(161,732,435)
Impairment	(2,015,000)	0	0	0	0	0
Carrying value of disposals	(689,500)	(689,631)	0	(27,941)	0	(1,407,072)
Cost	(689,500)	(706,500)	0	(3,353,568)	0	(4,749,568)
Accumulated Depreciation	0	16,869	0	3,325,627	0	3,342,496
<b>Carrying Values at 30 June 2015</b>	<b>868,503,486</b>	<b>793,058,545</b>	<b>2,749,641,744</b>	<b>101,157,857</b>	<b>7,195,469</b>	<b>4,519,557,101</b>
Cost and revaluation	870,518,486	871,514,779	5,345,024,610	256,703,236	7,195,469	7,350,956,580
Accumulated depreciation & Impairment	(2,015,000)	(78,456,234)	(2,595,382,866)	(155,545,379)	0	(2,831,399,479)

	Land	Buildings, structures and facilities	Infrastructure	Other Assets	Capital Spares	Total
<b>Carrying values as at July 2013</b>	<b>843,352,407</b>	<b>510,961,741</b>	<b>2,617,626,244</b>	<b>98,606,802</b>	<b>13,676,376</b>	<b>4,084,223,570</b>
Cost and revaluation	843,352,407	592,109,682	4,994,018,466	226,879,439	13,676,376	6,670,036,370
Accumulated depreciation	0	(81,147,941)	(2,376,392,222)	(128,272,637)	0	(2,585,812,800)
Acquisitions	0	12,105,024	34,564,929	11,567,760	0	58,237,713
Revaluation	57,015,067	250,899,798	0	0	0	307,914,865
Adjustments / WIP	(26,270,000)	0	144,290,472	0	(5,837,462)	112,183,010
Depreciation	0	(34,273,228)	(110,461,449)	(17,071,039)	0	(161,805,716)
Depreciation adjustments	0	75,498,279	(62,626)	0	0	75,435,653
Impairment	0	0	0	(339,971)	0	(339,971)
Carrying value of disposals	(2,889,488)	(484,009)	0	0	0	(3,373,497)
Cost	(2,889,488)	(558,912)	(1,453,392)	0	0	(4,901,791)
Accumulated Depreciation	0	74,903	1,453,392	0	0	1,528,295
<b>Carrying Values at 30 June 2014</b>	<b>871,207,986</b>	<b>814,707,605</b>	<b>2,685,957,571</b>	<b>92,763,551</b>	<b>7,838,914</b>	<b>4,472,475,628</b>
Cost and revaluation	871,207,986	854,555,592	5,171,420,476	238,447,199	7,838,914	7,143,470,168
Accumulated depreciation & Impairment	0	(39,847,987)	(2,485,462,905)	(145,683,648)	0	(2,670,994,539)

**11.1 Land and Buildings carried at Fair Value:**

Land and Buildings were revalued to fair value at during the prior financial period. The effective date of revaluation was 30 June 2014 and the valuation was performed by registered and independent valuers.

**11.2 Assets pledged as security:**

No assets have been pledged as security.

**11.3 Impairment of Property, Plant and Equipment:**

The municipality tested its items of Property, Plant and Equipment, Intangible assets, Investment property and Heritage assets for any potential impairment losses on assets.

Impairment losses amounting to R 2,015,000 (2014: R 24,651,038) were recognised during the year in the operating surplus and included in impairment losses in the Statement of Financial Performance as follows per class of asset:

Infrastructure Assets	0	24,651,038
Land	2,015,000	0
<b>Total impairments recognised</b>	<b>2,015,000</b>	<b>24,651,038</b>

No impairments were reversed in the current year, furthermore no impairment losses were recognised on revalued assets directly in the Statement of Net assets.

No material impairments were recognised related to a single asset during the financial year.

Impairment losses on the abovementioned assets exist predominantly due to the assets being damaged beyond repair, stolen, have been redundant or have been replaced (mostly in the case of infrastructure assets).

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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**11.4 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:**

A review of the useful lives and residual values of items of Property, Plant and Equipment have been performed. The change in the estimated useful life of various assets of the municipality has resulted in the following (increases)/decreases in depreciation:

Infrastructure Assets	0	0
Other Assets: Motor Vehicles	0	0
Other Assets: Buildings	0	0
Other Assets: Equipment, Furniture and fittings	0	0
<b>Total Change in Estimate for Useful Life of Property, Plant and Equipment</b>	<b>0</b>	<b>0</b>

The change in estimates will result in an decrease of (2014: R 0) in the depreciation expense for the municipality over the next three financial years.

**11.5 Revaluation Surplus**

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

The Revaluation Surplus is reconciled as follows:

Balance at beginning of year	1,422,351,024	1,025,993,678
Property not previously accounted for	0	402,808,724
Asset Transfers from PPE to Investment property	0	7,431,789
Depreciation offset to Accumulated surplus	0	(9,238,985)
Asset Disposals/Transfers/adjustments	0	(4,644,182)
<b>Balance at end of year</b>	<b>1,422,351,024</b>	<b>1,422,351,024</b>

**11.6 Reclassification of prior year assets between classes of PPE**

In order to group assets in classes and categories which are more appropriate and which is more aligned with the new SCOA item classification, Property, plant and equipment were reclassified between the new classes of assets during the year.

**12. INTANGIBLE ASSETS**

	<b>Cost</b>	<b>Accumulated Amortisation</b>	<b>Carrying Value</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>As at 30 June 2015</b>	<b>22,643,580</b>	<b>(11,513,165)</b>	<b>11,130,415</b>
Computer Software and Systems	15,617,715	(7,997,499)	7,620,216.06
Plans and Designs	6,170,789	(3,262,604)	2,908,185.4
Licences and Rights	855,076	(253,063)	602,013.05
<b>As at 30 June 2014</b>	<b>20,119,330</b>	<b>(7,688,581)</b>	<b>12,430,749</b>
Computer Software and Systems	13,408,745	(5,209,490)	8,199,255
Plans and Designs	6,081,130	(2,433,994)	3,647,136
Licences and Rights	629,455	(45,096)	584,359

The movement in intangible assets are reconciled as follows:

	<b>2015</b>	<b>2014</b>
Carrying value at the beginning of the year	<b>12,430,749</b>	<b>10,842,872</b>
Cost	20,119,330	15,497,560
Accumulated amortisation	(7,688,581)	(4,654,688)
Additions resulting from acquisitions	2,524,251	4,621,770
Amortisation	(3,824,585)	(3,033,893)
Carrying value at the end of the year	<b>11,130,415</b>	<b>12,430,749</b>
Cost	22,643,581	20,119,330
Accumulated amortisation	(11,513,166)	(7,688,581)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 30).

The amortisation method and useful life of Intangible assets is set out in the accounting policy note of Intangible assets.

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**13. INVESTMENT PROPERTY**

Land and Buildings

54,905,000	52,430,331
<b>54,905,000</b>	<b>52,430,331</b>

The fair model is applied to Investment property.

Criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business is set out in the accounting policy note of Investment property.

**The movement in investment properties are reconciled as follows:**

Carrying value at the beginning of the year	<b>52,430,331</b>	<b>25,617,000</b>
Fair value	<b>52,430,331</b>	<b>25,617,000</b>
Pius : Additions resulting from transfers from Property Plant & Equipment	0	32,020,000
Fair value adjustment gain	2,474,669	548,000
Minus: Transfers resulting from Investment property to PPE	0	(5,750,000)
Disposal of investment property	0	(4,669)
Carrying value at the end of the year	<b>54,905,000</b>	<b>52,430,331</b>
Fair value	<b>54,905,000</b>	<b>52,430,331</b>

**Method of Asset Valuation 2015**

The date of fair value assessment was on 30 June 2015.

Each property has been identified and inspected and fair value adjusted. Each of the three main methods (investment approach, direct comparison and cost) of valuing property has been adopted depending on the specific property.

A register containing the information required by section 63 of the Municipal Management Finance Act is available for inspection at the registered offices of the municipality.

Revaluation of all Investment Property was performed by an accredited valuator Mr E Marais of Erik Marais and Associates (T/A Rhode Valuations Wellington) Reg No 1988/011175/23).

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	253,317	778,721
Direct Operating Expenses - incurred to generate rental revenue	0	0
Direct Operating Expenses - incurred which did not generate rental revenue	0	0

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are the following contractual obligations on Investment Property:

- To purchase, construct or develop Investment Properties
- For repairs and maintenance to Investment Properties
- For enhancements to Investment Properties

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

**14. HERITAGE ASSETS**

At Revaluation amount	26,842,000	26,842,000
At Cost less Accumulated Impairment Losses	700,700	700,700
	<b>27,542,700</b>	<b>27,542,700</b>

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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

The movement in Heritage Assets is reconciled as follows:

	Historical and Natural Significant Land, Buildings and Structures	Works of Art, Regalia and Collections	Total
<b>Carrying values at 30 June 2013</b>	<b>21,204,316</b>	<b>700,700</b>	<b>21,905,016</b>
Cost	0	700,700	700,700
Accumulated Revaluation	21,204,316	0	21,204,316
Accumulated Impairment	0	0	0

**Movements during the year**

Increases in Revaluations	6,712,554	0	6,712,554
Decreases in Revaluations	(1,074,870)	0	(1,074,870)

**Carrying values at 30 June 2014**

Cost	26,842,000	700,700	27,542,700
Accumulated Revaluation	0	700,700	700,700
Accumulated Impairment Losses	26,842,000	0	26,842,000
	0	0	0

	Historical and Natural Significant Land, Buildings and Structures	Works of Art, Regalia and Collections	Total
<b>Carrying values at 1 July 2014</b>	<b>26,842,000</b>	<b>700,700</b>	<b>27,542,700</b>
Cost	0	700,700	700,700
Accumulated Revaluation	26,842,000	0	26,842,000
Accumulated Impairment	0	0	0

**Carrying values at 30 June 2015**

Cost	26,842,000	700,700	27,542,700
Accumulated Revaluation	0	700,700	700,700
Accumulated Impairment Losses	26,842,000	0	26,842,000
	0	0	0

Included in the historical and naturally significant land and building above is amongst others the Paarl Mountain (Paarlberg) and the Paarl Arboretum. Paarl Mountain is particularly known for its mountain or "Paarl Rock". The huge granite rock is formed by three rounded outcrops that make up Paarl Mountain and is the second largest granite outcrop in the world and forms part of the Nature Reserve. The site is a Provincial Heritage Site (SAHRA Nr 9/2/069/0028).

The Paarl Arboretum is situated on the eastern bank of the Berg River, is 2.8 km long and occupies approximately 31 ha. Divided into 6 "continents" a unique feature is that trees and shrubs are grouped according to continents of origin. In excess of 2 600 trees and shrubs, entering some 650 different species can be observed.

The following buildings owned by the Municipality, declared Provincial Heritage sites, have been classified as Heritage assets:  
 De Oude Woning, 214 Main Street, Paarl (SAHRA Nr 9/2/069/0105) dating from the late 1780's.  
 The Old Dutch Reformed Church Parsonage (now the Paarl Museum), Van der Lingen plein, Paarl (SAHRA Nr 9/2/069/0071). The Parsonage was built in 1787.  
 Ouma Granny's House, 37 Fontein Street, Wellington (SAHRA Nr 9/2/106/0012), dating to the Victorian era.  
 Coronation Arch, Victoria Jubilee Park, Church Street, Wellington (SAHRA Nr 9/2/106/0019/1), dating to 1902.

The municipality had taken advantage of the transitional provisions in Directive 3 from the Accounting Standards Board with the implementation of GRAP 103. The municipality identified all Heritage Assets and, as cost information was not available, fair values were determined by appraisal.

Heritage Assets have been restated to correctly classify amounts held for Heritage Assets in terms of GRAP 103, not previously recognised, or previously included in Property, Plant and Equipment. Refer to Note 39 on "Change in Accounting Policy" for details of the restatement.

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Heritage Assets

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**15. INVESTMENTS**

<b>Listed</b>		
Eskom stock at fair value	141,695	139,301
<b>Total listed investments</b>	<b>141,695</b>	<b>139,301</b>

**Unlisted**

**Bank Deposits**

Other Short-term Deposits	225,836,026	159,008,017
<b>Total unlisted investments</b>	<b>225,836,026</b>	<b>159,008,017</b>

The fair value of the listed investments is estimated at R 141,695 (2014: R 139,301). Fair value is determined based on discounted cash flow analysis, at a discounted rate of 8.3550%, (2014 : 8.2550%)

<b>Total</b>	<b>225,977,721</b>	<b>159,147,318</b>
Less: current portion maturing within next twelve months - refer note 21	(225,836,026)	(159,008,017)
<b>Total (non-current)</b>	<b>141,695</b>	<b>139,301</b>

Listed Shares are investments with a maturity period of more than 12 months and earn fixed interest rates of 13.5% per annum.

The fair value of investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

**16. LONG-TERM RECEIVABLES**

	<b>Gross Balances R</b>	<b>Impairment Provision R</b>	<b>Net Balances R</b>
<b>As at 30 June 2015</b>			
Public organisations	77,834	0	77,834
Housing selling scheme loans	3,643,389	(80,437)	3,562,952
	<b>3,721,223</b>	<b>(80,437)</b>	<b>3,640,786</b>

Less: Current Portion transferred to Current Receivables:-

Public organisations	326,947
Housing selling scheme loans	0
	<b>326,947</b>

**Total Long-term Receivables**

**3,313,839**

**As at 30 June 2014**

	<b>R</b>	<b>R</b>	<b>R</b>
Public organisations	77,834	0	77,834
Housing selling scheme loans	4,097,257	(2,836,380)	1,260,877
	<b>4,175,091</b>	<b>(2,836,380)</b>	<b>1,338,711</b>

Less: Current Portion transferred to Current Receivables:-

Public organisations	304,325
Housing selling scheme loans	0
	<b>304,325</b>

**Total Long-term Receivables**

**1,034,386**

**Public Organisations**

Loans to public organisations are granted in terms of the National Housing Policy. The applicable interest rate and loan repayment periods are determined by the National Minister of Housing. At present these loans attract interest at 1% (buildings) and 11% (infrastructure) and are repayable over 30 years.

**Housing selling scheme loans**

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest, as determined by the National Minister of Housing, currently 13,5% per annum and are repayable over 20 years.

**16.1 Reconciliation of the Provision for Impairment**

Balance at beginning of year	2,836,380	2,887,533
Net movement	(2,755,943)	(51,153)
<b>Balance at end of year</b>	<b>80,437</b>	<b>2,836,380</b>

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**17. INVENTORY**

Consumable stores	3,368,514	3,664,478
Maintenance materials	20,715,521	23,396,782
Water	1,806,007	2,802,416
Spare parts for plant & Equipment	175,781	202,178
Plants held for resale	224,796	314,450
Inventory BNG Houses	6,079,862	7,093,576
Less: inventory held as spare parts for infrastructure assets	(7,046,408)	(7,838,914)
<b>Total Inventory</b>	<b>25,324,072</b>	<b>29,634,965</b>

No inventories were pledged as security for liabilities.

During the year inventory to the amount of R164,821 (2014: R 0) was written off due to discrepancies identified during the annual stock count.

Inventories of R 7,046,408 (2014: R 7,838,914) are held as major spare parts for infrastructure assets and has been transferred to Property, Plant and Equipment.

Included in the inventory above is BNG houses still in process of construction, which on completion will be handed over to the beneficiaries or completed, but not yet handed over. Although these houses are entirely funded by the National Department of Human Settlements, through the Western Cape Department of Human Settlements, the Municipality is regarded as a principle in terms of GRAP and is therefore obliged to disclose any BNG in the process of construction as well as completed houses still under the control of the Municipality as inventory up to the point of hand over to the allocated beneficiary whereafter the cost is expensed through the Statement of Financial Performance.

Inventory has been restated according to GRAP 3. Refer to note 39 for more detail of the restatement.

**18. VAT**

VAT Receivable	15,092,688	12,343,487
<b>Total VAT</b>	<b>15,092,688</b>	<b>12,343,487</b>

Net VAT receivable. Only once payment is received from debtors is VAT paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to the VAT Act. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

VAT has been restated according to GRAP 3. Refer to note 39 for more detail of the restatement.

**19. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

**19.1 Consumer Debtors from exchange transactions**

**As at 30 June 2015**

	<b>Gross Balances</b>	<b>Provision for Impairment</b>	<b>Net Balance</b>
Service debtors	258,090,539	(94,948,208)	163,142,331
Trade: Electricity	116,427,335	(13,998,049)	102,429,286
Water	68,323,047	(27,251,803)	41,071,245
Waste Management (solid waste)	47,510,230	(35,671,629)	11,838,601
Waste Water Management (sewerage and sanitation)	25,829,927	(18,026,727)	7,803,199
Housing Rental Schemes	9,749,934	(8,060,538)	1,689,396
Housing Selling Schemes	952,930	(607,486)	345,443
<b>Total</b>	<b>268,793,403</b>	<b>(103,616,232)</b>	<b>165,177,171</b>

**As at 30 June 2014**

	<b>Gross Balances</b>	<b>Provision for Impairment</b>	<b>Net Balance</b>
Service debtors	244,648,592	(102,307,733)	142,340,859
Trade: Electricity	118,927,632	(22,138,566)	96,789,066
Water	59,206,103	(31,698,097)	27,508,006
Waste Management (solid waste)	43,644,978	(32,199,587)	11,445,391
Waste Water Management (sewerage and sanitation)	22,869,878	(16,271,483)	6,598,395
Housing Rental Schemes	11,760,516	(10,082,308)	1,678,208
Housing Selling Schemes	1,274,499	(945,784)	328,715
<b>Total</b>	<b>257,683,607</b>	<b>(113,335,825)</b>	<b>144,347,782</b>

The average credit period for Consumer Debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter penalties of 10% and interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The average age of these receivables is 56 days (2014: 52 days).

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of Consumer Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer Debtors as well as the current payment ratio's of the municipality's Consumer Debtors.

Analysis of Consumer Debtors Age in Days						
As at 30 June 2015	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
	R	R	R	R	R	R
Electricity	90,725,251	1,266,307	4,783,221	793,622	2,151,813	624,370
Water	17,426,313	399,966	4,337,571	427,548	3,409,920	435,616
Waste Management	4,800,927	190,724	1,923,275	96,462	1,677,072	114,453
Waste Water Management	3,841,638	110,148	1,171,268	66,053	904,031	73,528
Housing Rental Schemes	364,357	5,898	323,484	5,226	348,982	10,373
Housing Selling Schemes	46,059	1,420	33,468	470	29,190	833
<b>Total</b>	<b>117,204,546</b>	<b>1,974,463</b>	<b>12,572,287</b>	<b>1,389,380</b>	<b>8,521,009</b>	<b>1,259,172</b>

Past due					
As at 30 June 2015	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired
	R	R	R	R	R
Electricity	18,767,050	11,313,750	116,427,335	13,998,049	12,970,342
Water	43,149,243	25,988,673	68,323,047	27,251,803	24,044,897
Waste Management	39,108,956	35,269,990	47,510,230	35,671,629	7,228,398
Waste Water Management	19,912,989	17,776,998	25,829,927	18,026,727	4,071,709
Housing Rental Schemes	8,713,110	8,039,042	9,749,934	8,060,538	1,330,937
Housing Selling Schemes	844,213	604,763	952,930	607,486	300,805
<b>Total</b>	<b>130,495,561</b>	<b>98,993,217</b>	<b>268,793,403</b>	<b>103,616,232</b>	<b>48,947,088</b>

Analysis of Consumer Debtors Age in Days						
As at 30 June 2014	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
	R	R	R	R	R	R
Electricity	87,667,833	1,819,011	6,267,662	1,318,073	2,709,443	1,228,436
Water	12,833,234	845,373	3,560,968	1,036,021	2,916,525	1,134,077
Waste Management	4,676,749	196,184	1,871,487	182,628	1,596,163	226,313
Waste Water Management	3,531,176	102,164	1,033,844	95,348	825,026	106,863
Housing Rental Schemes	476,305	49,832	372,285	87,537	376,621	94,670
Housing Selling Schemes	70,809	31,837	19,332	5,307	27,292	10,802
<b>Total</b>	<b>109,256,105</b>	<b>3,044,401</b>	<b>13,125,577</b>	<b>2,724,914</b>	<b>8,451,069</b>	<b>2,801,161</b>

Past due					
As at 30 June 2014	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired
	R	R	R	R	R
Electricity	22,282,695	17,773,047	118,927,632	22,138,567	10,940,244
Water	39,895,376	28,682,625	59,206,103	31,698,096	15,520,146
Waste Management	35,500,580	31,594,462	43,644,978	32,199,587	6,964,826
Waste Water Management	17,479,832	15,967,108	22,869,878	16,271,483	3,169,383
Housing Rental Schemes	10,535,306	9,850,269	11,760,516	10,082,308	1,251,735
Housing Selling Schemes	1,157,067	897,839	1,274,499	945,785	289,742
<b>Total</b>	<b>126,850,856</b>	<b>104,765,350</b>	<b>257,683,607</b>	<b>113,335,826</b>	<b>38,136,077</b>

	2015	2014
	R	R
<b>Reconciliation of impairment provision</b>		
Balance at beginning of the year	168,842,050	137,555,913
Movement	27,530,546	(20,814,494)
Traffic Fine ageing (refer to note 39)	0	43,484,006
Basic Electricity Error (refer to note 39)	0	8,616,625
<b>Balance at 30 June 2015</b>	<b>196,372,596</b>	<b>168,842,050</b>

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

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2015-11-30  
ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

Included in the Allowance for Doubtful Debts are individually impaired Consumer Debtors with a balance of R 4,608,503 (2014: R 4,577,973) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these Consumer Debtors and the present value of the expected liquidation proceeds. The municipality holds no collateral over these balances.

**19.2 Other Debtors from exchange transactions**

Sundries	12,031,788	10,541,511
Sporting bodies	121	237
Recoverable Loans	599,166	531,230
Less : Provision for Impairment	(6,028,448)	(6,403,868)
<b>Total Other Debtors from exchange transactions</b>	<b>6,602,628</b>	<b>4,669,110</b>
<b>Reconciliation of Impairment provision</b>		
Balance at beginning of the year	6,403,868	5,228,283
Net movement	(375,420)	1,175,585
<b>Balance at year end</b>	<b>6,028,448</b>	<b>6,403,868</b>

**20. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

**20.1 Consumer Debtors from non-exchange transactions**

	Gross Balances	Provision for Impairment	Net Balance
<b>As at 30 June 2015</b>			
Service debtors	38,075,278	(11,487,350)	26,587,929
Rates	38,075,278	(11,487,350)	26,587,929
Fines	85,025,122	(81,269,014)	3,756,108
<b>Total</b>	<b>123,100,401</b>	<b>(92,756,364)</b>	<b>30,344,037</b>
<b>As at 30 June 2014</b>			
Service debtors	37,441,587	(12,022,219)	25,419,368
Rates	37,441,587	(12,022,219)	25,419,368
Fines	50,122,180	(43,484,006)	6,638,173
<b>Total</b>	<b>87,563,767</b>	<b>(55,506,225)</b>	<b>32,057,542</b>

**Analysis of Consumer Debtors Age in Days**

	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
	R	R	R	R	R	R
<b>As at 30 June 2015</b>						
Rates	12,182,774	538,588	1,817,619	289,254	1,146,204	267,165
Fines	4,749,454	3,954,052	3,691,832	3,015,202	2,148,473	1,720,073
<b>Total</b>	<b>16,932,228</b>	<b>4,492,640</b>	<b>5,509,451</b>	<b>3,304,456</b>	<b>3,294,677</b>	<b>1,987,238</b>
	Past due		Total			
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired	
	R	R	R	R	R	
Rates	22,928,680	10,392,343	38,075,278	11,487,350	14,943,742	
Fines	74,435,364	72,579,687	85,025,123	81,269,014	2,960,707	
<b>Total</b>	<b>97,364,044</b>	<b>82,972,030</b>	<b>123,100,401</b>	<b>92,756,364</b>	<b>17,904,449</b>	

**Analysis of Consumer Debtors Age in Days**

	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
	R	R	R	R	R	R
<b>As at 30 June 2014</b>						
Rates	11,936,365	471,798	2,131,331	343,095	1,299,754	259,868
Fines	1,262,132	980,340	1,308,984	1,017,148	1,599,119	1,234,972
<b>Total</b>	<b>13,198,497</b>	<b>1,452,138</b>	<b>3,440,315</b>	<b>1,360,243</b>	<b>2,898,873</b>	<b>1,494,840</b>
	Past due		Total			
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired	
	R	R	R	R	R	
Rates	22,083,725	10,947,458	37,451,175	12,022,219	13,964,390	
Fines	45,951,945	40,251,546	50,122,180	43,484,006	6,356,381	
<b>Total</b>	<b>68,035,670</b>	<b>51,199,004</b>	<b>87,573,355</b>	<b>55,506,225</b>	<b>20,320,771</b>	

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Reconciliation of impairment provision**

**Rates receivable**

Balance at beginning of the year	12,022,219	18,402,299
Net movement	(534,869)	(6,380,080)
<b>Balance at year end</b>	<b>11,487,350</b>	<b>12,022,219</b>

**Reconciliation of impairment provision**

**Fines receivables**

Balance at beginning of the year	43,484,006	0
Contributions to Provision for doubtful debt	41,275,373	47,178,806
Impairment of receivables	(3,490,365)	(3,694,800)
<b>Balance at year end</b>	<b>81,269,014</b>	<b>43,484,006</b>

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect. This was 98% of the value of the fines issued.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate. This was 82% of the value of the fines issued.

**20.2 Other debtors from non-exchange transactions**

Grants & Subsidies	28,911,903	22,697,490
Recoverable Debtors	10,859,621	11,726,307
Fruitless and wasteful expenditure	14,475	14,475
Rental Leases : Straight lining	54,747	55,459
<b>Total Other Debtors from non-exchange transactions</b>	<b>39,840,947</b>	<b>34,493,730</b>

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

The claims instituted against the municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for Other Debtors is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Other Debtors.

The management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

The fair value of Other Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

The impairment provision was calculated after individually assessing other debtors and by calculating the historical payment ratios and assuming that future payment ratios would be similar to the historical payment ratios.

The provision for doubtful debts on other debtors exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

Receivables from non-exchange transaction have been restated according to GRAP 3. Refer to note 39 for more detail of the restatement.

**Reconciliation of impairment provision**

**Service debtors, rates debtors, other debtors and long-term receivables**

Balance at beginning of the year	134,598,292	147,410,713
Contributions to Provision for doubtful debt	30,372,317	56,812,499
Impairment of receivables	(43,758,141)	(69,624,921)
<b>Balance at 30 June 2015</b>	<b>121,212,467</b>	<b>134,598,292</b>

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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**21. CASH AND CASH EQUIVALENTS (BANK AND CASH)**

The Municipality has the following bank accounts: -

Primary Account	14-9812-1861	53,177,388	36,322,279
Secondary Account	14-9812-1853	0	0
Traffic Fines Bank account	620-715-265-14	1,981	4,672
Traffic Nedbank account	105-520-20-56	0	0
		<b>53,179,369</b>	<b>36,326,951</b>

All accounts are with Nedbank except the traffic fines account which is with First National Bank. All account balances are cleared on a daily basis to the main account. The municipality has an overdraft facility of R5 million with Nedbank, but did not utilise it for this financial year.

Bank statement balance at beginning of year	36,326,951	64,933,345
Bank statement balance at end of year	53,179,369	36,326,951
Cash book balance at beginning of year	23,811,248	65,363,087

Petty Cash / Float	11,700	13,700
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Cash at bank	53,179,369	36,326,951
Net movement	(19,501,430)	(12,515,703)
Cash book balance at end of year	33,677,939	23,811,248

Short term investment deposits.	225,836,026	159,008,017
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<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>259,525,666</b>	<b>182,832,965</b>
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For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments less than 12 months.

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

INSTITUTION	ACCOUNT NUMBER	ACCOUNT TYPE	2015	2014
ABSA	92-9096-7912	CALL ACCOUNT	22,562,351	22,240,303
ABSA	92-9214-9948	CALL ACCOUNT	22,469,658	21,064,394
ABSA	92-9216-2871	CALL ACCOUNT	10,556,500	22,417,123
ABSA	92-9735-7532	CALL ACCOUNT	10,651,361	0
ABSA	92-9739-3681	CALL ACCOUNT	10,658,498	0
			<b>76,898,369</b>	<b>65,721,820</b>
INVESTEC	1400-020170-500	CALL ACCOUNT	0	37,600,000
			<b>0</b>	<b>37,600,000</b>
NEDBANK	03-7881536373-052	CALL ACCOUNT	1,845,636	43,274,907
NEDBANK	03-7881536373-189	CALL ACCOUNT	0	12,400,000
NEDBANK	03-7881536373-192	DEPOSIT	20,000,000	0
NEDBANK	03-7881536373-193	DEPOSIT	77,500,000	0
			<b>99,345,636</b>	<b>55,674,907</b>
STANDARD BANK	07-877-6384-014	CALL ACCOUNT	0	86
STANDARD BANK	78-875-8300-035	CALL ACCOUNT	0	166
STANDARD BANK	78-875-8300-037	CALL ACCOUNT	0	11,039
STANDARD BANK	78-875-8300-039	DEPOSIT	4,592,021	0
STANDARD BANK	78-875-8300-041	DEPOSIT	20,000,000	0
STANDARD BANK	78-875-8300-042	DEPOSIT	25,000,000	0
			<b>49,592,021</b>	<b>11,291</b>
<b>TOTAL INVESTMENTS</b>			<b>225,836,026</b>	<b>159,008,018</b>

Cash and cash equivalents has been restated according to GRAP 3. Refer to note 39 for more detail of the restatement.

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**22. PROPERTY RATES**

<b>Actual</b>		
Residential	157,391,472	136,371,171
Agricultural	44,946,205	45,216,344
Commercial	58,030,408	59,033,753
State	26,161,821	25,911,014
Less : Income forgone	(92,681,112)	(80,968,733)
<b>Total Property Rates</b>	<b>193,848,793</b>	<b>185,563,549</b>

**Valuations as at July 2013**

Residential	26,536,569,404	24,954,024,765
Agricultural	7,492,599,565	7,537,171,835
Commercial	5,955,883,795	5,774,142,345
State	1,764,727,100	2,574,345,789
<b>Total Property Valuations</b>	<b>41,749,779,864</b>	<b>40,839,684,734</b>

General Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A uniform rate for the same class and type of property was applied with the implementation of the Property Rates Act. A rate on different categories was applied to property valuations to determine assessment rates. Rebates of 50% are applied to pensioners. A discount of 20% was granted to the state institutions.

Rates are levied monthly on property owners and are payable the 15th of each month for monthly rate payers of Drakenstein areas and 30th September for annual payers. Interest is levied at the prime rate on outstanding rates amounts.

**23. SERVICE CHARGES**

Sale of Electricity	807,283,556	739,813,513
Sale of Water	171,804,217	138,721,411
Waste Management (solid waste)	89,833,729	81,489,631
Waste Water Management (sewerage and sanitation)	69,017,253	58,299,331
Other	30,384	27,012
	<b>1,137,969,139</b>	<b>1,018,350,899</b>
Less: Income forgone	(79,095,113)	(62,241,647)
<b>Total Service Charges</b>	<b>1,058,874,027</b>	<b>956,109,252</b>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Service charges has been restated according to GRAP 3. Refer to note 39 for more detail of the restatement.

**24. RENTAL OF FACILITIES AND EQUIPMENT**

Operating Lease Rental Revenue:		
- Investment Property	253,317	778,721
- Housing Rental	6,802,134	6,258,822
- Other Rental Revenue	3,394,243	1,441,366
<b>Total Rentals</b>	<b>10,449,695</b>	<b>8,478,909</b>

Rental of facilities and equipment have been restated according to GRAP 3. Refer to note 39 for more detail of the restatement.

**25. INTEREST AND DIVIDENDS EARNED**

Interest - external investments	13,752,436	9,977,021
Dividends - stock	15,120	15,120
Interest - outstanding debtors	13,701,549	12,301,251
<b>Total Interest Receivable</b>	<b>27,469,105</b>	<b>22,293,392</b>

Interest and dividends earned has been restated according to GRAP 3. Refer to note 39 for more detail of the restatement.

2015-11-30

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**26. GOVERNMENT GRANTS AND SUBSIDIES**

Grants from Operational	144,212,087	128,597,770
Grants from Capital	73,597,848	97,447,304
	<b>217,809,936</b>	<b>226,045,074</b>
<u>Unconditional grants</u>		
Equitable Share	85,321,000	75,995,000
Other	125,950	9,588,693
Operational grants	<b>85,446,950</b>	<b>85,583,693</b>
<u>Conditional grants</u>	<b>132,362,986</b>	<b>142,237,973</b>
National Government	45,193,591	48,720,705
Provincial Government	87,169,395	93,517,269
<b>Offsetting of Housing Expenditure where Municipality is seen as an agent</b>	<b>(22,388,982)</b>	<b>(1,776,592)</b>
<b>Total Government Grant and Subsidies</b>	<b>195,420,954</b>	<b>226,045,074</b>

**26.1 National Government (Unconditional Grants)**

Balance	0	0
Current year	(85,321,000)	(75,995,000)
Conditions met - transferred to revenue	85,321,000	75,995,000
Conditions still to be met - transferred to	<b>0</b>	<b>0</b>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a 100% monthly subsidy for the basic charges of Electricity, Refuse Removal, Sewerage and Water Services, the subsidy is adjusted as tariffs increase. All residential households receive 10 kl water free every month. Indigent households receive 100 kWh electricity free every month.

**26.2 National Government (Conditional Grants)**

Balance unspent at beginning of year	(8,323,399)	(534,604)
Current year receipts	(39,659,928)	(56,509,500)
Conditions met - transferred to revenue	45,193,591	48,720,705
Conditions met - repayment of other grants (Funds withheld)	1,165,379	0
Conditions still to be met - transferred to liabilities (refer note 10)	<b>(1,624,357)</b>	<b>(8,323,399)</b>

This grant was used to construct infrastructure assets for the Municipality. Other than the unspent amount, the conditions of the grant have been met.

This grant received from National Government are for operational and capital expenditure projects related to budget reform and implementation of the MFMA. Other than the unspent amount, the conditions of the grant have been met.

**26.3 Provincial Government (Conditional Grants)**

Balance unspent at beginning of year	(23,663,143)	(18,573,176)
Current year receipts	(105,548,834)	(98,607,236)
Conditions met - transferred to revenue	87,169,395	93,517,269
Conditions still to be met - transferred to liabilities (refer note 10)	<b>(42,042,582)</b>	<b>(23,663,143)</b>

These grants received from Provincial Government are for the construction of houses. Other than the unspent amount, the conditions of the grant have been met.

The Municipality received various grants from PAWC for operational projects. Other than the unspent amount, the conditions of the grant have been met.

These grants received from Provincial Government are for the commemoration of Nelson Mandela. Other than the unspent amount, the conditions of the grant have been met.

These grants received from Provincial Government are for operational and capital expenditure such as restructuring and other. Other than the unspent amount, the conditions of the grant have been met.

Revenue from Housing Grants and the related Housing expenditure where Drakenstein Municipality is regarded as an agent in terms of GRAP amounted to R 22,388,982 (2014 R 1,776,592). In terms of a GRAP interpretation, where a municipality is regarded as an agent, the revenue should be set off against the expenditure.

**26.4 Other Grants (Unconditional)**

Balance	(4,092,460)	(3,065,300)
Current year receipts	(3,737,656)	(10,615,853)
Conditions met - transferred to revenue	125,950	9,588,693
Conditions still to be met - transferred to liabilities (refer note 10)	<b>(7,704,165)</b>	<b>(4,092,460)</b>

These grants received from other institutions are for operational and capital expenditure projects. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**26.5 Guarantees and Donations (Unconditional)**

Balance	(2,616,615)	(2,761,926)
Current year receipts	(460,049)	(180,844)
Conditions met - transferred to revenue	295,478	326,155
Conditions still to be met - transferred to liabilities (refer note 10)	<b>(2,781,186)</b>	<b>(2,616,615)</b>

These grants received from other institutions are for operational and capital expenditure projects. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

Government Grants and Subsidies has been reclassified, refer to note 39 for more detail information.

**27. OTHER**

**Other income - Exchange transactions**

Admin Charges : Other	1,509,199	1,414,980
Allotment Charges	68,041	80,066
Application Fees	353,813	231,187
Building Inspection Fees	5,610,561	5,286,491
Burial Fees	2,151,111	1,691,300
Camping Coupons	383,136	577,494
Camping Fees	328,573	373,085
Commission: Sanlam	290,375	308,384
Contravention Levy	103,307	52,305
Depreciation Written Back	0	1,163,464
Drain Cleaning	420,016	402,332
Electricity : New Connection Fees	6,747,175	2,270,729
Electricity : Reconnection Fees	901,627	462,139
Entrance Fees	1,178,655	1,153,584
Film Shoots	294,315	138,182
Fire Brigade Fees	248,433	199,591
Garden Refuse Removal	79,233	73,069
Investigation Fees Certificates	712,283	545,959
Legal Costs Recovered	53,822	87,719
Other Income	1,614,035	4,005,511
Recoverable Services	301,348	357,988
Sale: Tickets	285	109,101
Sewerage : New Connection Fees	239,502	295,070
Sundry Income	7,108,389	5,592,658
Water : New Connection Fees	673,802	588,859
	<b>31,371,034</b>	<b>27,461,247</b>

**Other income - Non-exchange transactions**

Sundry Income	782,758	0
	<b>782,758</b>	<b>0</b>

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 23 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**Services received in kind**

During the financial year, the municipality received the following services in kind, that was recognised in terms of GRAP 23.

The Western Cape Department of Cultural affairs and Sport, pays for the internet access for 17 sites within the Drakenstein Municipality with an annual cost of R555,900.

The Western Cape Department of Environmental Affairs and Development Planning seconded the Environmental Manager for 3 months during the financial year at a cost of R226,858.

Other income has been reclassified, refer to note 39 for more detail information.

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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**28. EMPLOYEE RELATED COSTS**

Salaries and Wages	277,177,257	243,540,503
Other Allowances and contributions	113,442,562	98,581,589
Social contributions - UIF, pensions and medical aid etc.	61,641,526	54,914,674
Travel, motor car, accommodation, subsistence and other allowances	9,321,565	6,689,334
Housing benefits and allowances	2,087,835	1,889,748
Housing Allowance	17,370	17,370
Overtime payments	21,064,948	18,981,129
Settling cost	0	111,794
Serverence package	570,706	0
Acting Allowance	660,252	1,604,878
Shift Allowance	1,522,610	1,362,474
Standby Allowance	5,338,115	4,735,480
Night Shift Allowance	1,839,866	1,639,370
Cell Allowance	589,224	307,330
Fire Sunday and Public Holiday Allowance	311,252	0
Workman Compensation	3,480,386	3,082,381
Contribution to leave reserve	4,996,908	3,245,627
Provision for performance bonuses	1,176,697	0
Defined Benefit Plan Expense: Post Employment Health Care	17,453,348	12,646,088
Current	2,976,000	2,390,513
Service		
Cost		
Loss on actuarial valuations	4,124,348	1,189,152
(Gains) on actuarial valuations	0	0
Interest	10,353,000	9,066,423
Cost		
Defined Benefit Plan Expense: Ex Gratia Pension Benefits	(583,033)	(247,060)
Current Service Cost	0	0
Loss on actuarial valuations	0	0
(Gains) on actuarial valuations	(980,033)	(657,295)
Interest Cost	397,000	410,235
Defined Benefit Plan Expense: Long Service	4,031,043	14,432,605
Current Service Cost	2,272,000	1,241,235
Loss on actuarial valuations	0	11,998,993
(Gains) on actuarial valuations	(685,957)	0
Interest Cost	2,445,000	1,192,377
Sub Total	412,697,874	368,953,725
Expenditure Recharged	(221,840)	(564,960)
Recharged to repairs and maintenance	0	0
Recharged to capital projects	(221,840)	(564,960)
Total Employee Related Costs	412,476,034	368,388,765

No advances were made to employees.

Other income has been reclassified, refer to note 39 for more detail information.

# Remuneration of Executives

2015  
Mettler JF (Municipal Manager)  
Carstens J (Chief Financial Officer )  
Boshoff GBF (Executive Manager Social Services)  
De Beer AME (Executive Manager Corporate Services)  
Louw J (Executive Manager Infrastructure)  
Adam AM (Executive Manager Planning and Economic Development)

Remuneration of Executives  
2014  
Mettler JF (Municipal Manager)  
Carstens J (Chief Financial Officer )  
Boshoff GBF (Executive Manager Social Services)  
De Beer AME (Executive Manager Corporate Services)  
Louw J (Executive Manager Infrastructure)  
Adam AM (Executive Manager Planning and Economic Development)

Total	Annual Salary	Structured Bonus	Re-imburse Traveling	Settling Allowance	Backpay	Car Allowance	Social Contribution	UIF	Cell Allowance
R	R	R	R	R	R	R	R	R	R
1,772,744	1,551,090	120,496	6,691	0	8,692	84,000	0	1,785	0
1,347,121	1,002,962	0	2,036	0	0	98,812	241,527	1,785	0
1,305,198	1,148,386	95,028	0	0	0	60,000	0	1,785	0
1,345,084	1,204,100	0	0	0	0	139,200	0	1,785	0
1,341,809	1,294,252	0	355	0	0	25,000	0	1,785	20,417
1,364,251	1,340,610	0	0	0	0	0	0	1,785	21,657
8,476,207	7,541,388	215,524	9,083	0	8,692	407,012	241,527	10,708	42,274
Total	Annual Salary	Structured Bonus	Re-imburse Traveling	Settling Allowance	Backpay	Car Allowance	Social Contribution	UIF	Cell Allowance
R	R	R	R	R	R	R	R	R	R
1,395,320	1,322,695	0	6,640	0	0	63,900	0	1,785	0
1,260,964	930,696	0	1,291	0	0	98,812	228,381	1,785	0
1,018,437	868,609	0	3,313	95,028	0	50,000	0	1,487	0
1,259,674	1,118,689	0	0	0	0	139,200	0	1,785	0
1,252,145	1,235,370	0	0	0	0	0	0	1,785	14,990
1,252,145	1,235,370	0	0	0	0	0	0	1,785	14,990
7,438,684	6,711,429	0	11,545	95,028	0	351,912	228,381	10,410	29,980

Remuneration of Councilors  
Executive Mayor  
Deputy Executive Mayor  
Speaker  
Whip  
Councilors  
Executive Mayor committee members  
Total Councilors Remuneration

744,412  
621,290  
621,290  
583,980  
11,567,311  
5,697,296  
19,975,559  
18,745,472

In-kind Benefits  
The Executive Mayor, Deputy Executive Mayor, Speaker, and Mayoral Committee members are employed full-time. Each is provided with an office, administrative and secretarial support at the cost of the Council.  
The Executive Mayor and Deputy Mayor and other full-time Mayoral Committee members have access to Council owned vehicles for ceremonial and official functions.  
Executive Committee Councilors are provided with work stations which are appropriately equipped.

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**29. IMPAIRMENT OF FINANCIAL ASSETS**

**Bad Debts**

Contribution to Impairment Provision	71,555,739	104,224,560
Contribution from Impairment provision	(35,140,970)	(73,278,604)
Contribution to housing development fund	153,172	154,080
Bad debts written-off	35,140,970	73,278,604
	<b>71,708,911</b>	<b>104,378,640</b>

Impairment of financial assets has been restated according to GRAP 3. Refer to note 39 for more detail of the restatement.

**30. DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	162,242,776	162,846,502
Amortisation: Intangible Assets	3,824,585	3,033,892
<b>Total Depreciation and Amortisation</b>	<b>166,067,361</b>	<b>165,880,394</b>

**31. IMPAIRMENT LOSSES**

**Impairment Losses on Fixed Assets Recognised:**

Property, Plant and Equipment	2,041,000	24,651,038
Investment Property	0	0

**Total Impairment Losses**

<b>2,041,000</b>	<b>24,651,038</b>
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**32. INTEREST PAID**

Long-term liabilities	61,024,588	58,975,521
Finance leases	0	0
<b>Total Interest on External Borrowings</b>	<b>61,024,588</b>	<b>58,975,521</b>

The weighted average capitalisation rate on funds borrowed generally is 10.71% per annum (2014: 9.51% per annum).

**33. BULK PURCHASES**

Electricity	512,849,405	475,234,547
Water	30,215,474	23,578,779
<b>Total Bulk Purchases</b>	<b>543,064,879</b>	<b>498,813,326</b>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the City of Cape Town.

Bulk purchases has been restated according to GRAP 3. Refer to note 39 for more detail of the restatement.

**34. GRANTS AND SUBSIDIES PAID**

Donation: Paarl Museum	130,000	125,000
Donation: Wellington Museum Association	115,000	59,826
Donation: Ouma Granny Museum	30,000	0
Donation: Other	292,000	151,880
Donation: Drakenstein Local Tourism Association	1,500,700	500,000
	<b>2,067,700</b>	<b>836,706</b>

**Paarl Museum**

Donations were made to the Paarl Museum for the preservation and exhibition of historic items.

**Wellington Museum association**

Donations were made to the Wellington Museum for the preservation and exhibition of historic items.

**Ouma Granny Museum**

Donations were made to the Ouma Granny Museum for the preservation and exhibition of historic items.

**Other**

The Mayor gives out donations to certain institutions on fundraising occasions depending on the needs of the institution.

**Drakenstein Local Tourism Association**

Donations were made to Drakenstein Tourism for marketing of the greater Drakenstein.

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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**35. GENERAL EXPENSES**

A3(3) - Provision For Emergency Relief	442,347	1,074,913
Advertising Costs	1,542,511	1,520,020
Analysis Of Samples	382,817	307,559
Audit Fees	4,660,820	5,447,683
B1(4a) - Household Refuse Recycling	608,633	577,273
B1(4b) - Household Refuse Removal	1,500,000	1,200,000
B3(1) - Remove Alien Vegetation	1,215,398	587,746
Bank Charges	3,723,271	3,089,721
C1(1)A - Mbekweni Multipurpose Hall	883,896	474,814
Chemicals / Works	1,629,161	1,550,250
Cleaning Toilet Etc.	1,407,658	1,261,481
Commission Fees -Payat	1,989,630	0
Housing Project Expenditure	27,082,541	55,561,315
Conference School Expenditure	1,002,744	572,748
Consultancy Fees	5,074,078	2,186,895
General Materials - Spares	997,050	890,698
High Density Cleanup Project	3,709,257	4,206,502
Hire : Vehicles And Equipment	11,280,982	10,635,709
Hire: Equipment	271,147	505,285
Housing Schemes : Admin (Letting Sch)	1,136,249	1,019,203
Housing Schemes : Assessment Rates	1,574,305	1,483,418
Housing Schemes : Electricity	0	1,534,221
Housing Schemes : Int & Redemption	1,584,253	1,578,296
Housing Schemes : Refuse	6,673,579	4,418,542
Housing Schemes : Sewerage	3,209,287	2,822,391
Housing Schemes : Water	6,547,527	6,027,962
Insurance: Premium (Short Term)	2,826,070	4,670,663
Investigations & Reports Wsdp & Blue Dro	589,900	314,067
Legal Costs : Other	2,708,489	1,422,554
Licences : Software	3,457,147	3,036,289
Licences : Vehicles	1,596,554	1,436,480
Loss On Fair Value Adjustment	0	425,000
Masterplan	21,989	525,000
Membership Fees	4,303,953	3,648,551
Petrol And Diesel	13,859,197	14,508,544
Policies/Detail Planning	1,133,448	974,550
Postage	2,112,463	1,702,933
Pre-Paid Vending System	642,491	1,027,832
Printing And Stationery	4,489,993	3,119,262
Professional Fees	428,271	2,944,142
Provision For Landfill Site	58,136,426	4,052,371
Public Participation	397,161	379,869
Refuse Bags	574,931	138,400
Refuse Bins	531,831	1,298,263
Special Connections	1,630,342	1,203,389
Standard Connections	852,546	633,727
Telephone Communication	8,396,229	7,730,706
Tidy Town Program	968,989	922,179
Training	2,073,005	1,055,115
Training Levy	3,584,650	3,380,200
Tyres	2,058,952	1,793,762
Uniforms And Clothing	2,034,231	1,697,182
Upgrade Protection: Computers	1,071,117	1,359,882
Valuation Expenses	210,261	201,670
Ward Projects 31 Wards	3,993,122	3,548,599
Other Expenditure	24,101,910	20,875,803
	<b>238,914,809</b>	<b>200,561,633</b>

General expenses has been restated according to GRAP 3. Refer to note 39 for more detail of the restatement.

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**36. CASH GENERATED BY OPERATIONS**

Surplus/(Deficit) for the year	(32,616,937)	(29,851,158)
Adjustment for :-	168,722,304	200,119,667
- Depreciation and amortisation	166,067,361	165,880,394
- Housing Development Fund	1,644,334	1,749,235
- Self Insurance Reserve	0	0
- Impairment Losses	2,041,000	24,651,038
- Fair Value adjustments	0	487,262
- Traffic Fine estimation	0	3,929,405
- Discontinued operations	0	1,982,956
- Gain on assets from non exchange transactions	(2,474,669)	(898,081)
- Prior Period Error	39,600	(108,000)
- Fair Value adjustments on Listed stock	(2,394)	13,704
- (Gain)/Losses on disposal of property, plant and equipment	1,407,072	2,431,753
<b>Operating surplus before working capital changes:</b>	<b>136,105,366</b>	<b>170,268,509</b>
(Increase)/Decrease in inventories	5,103,399	17,180,741
(Increase)/Decrease in debtors	(22,762,907)	10,535,563
Decrease /(Increase) in other debtors	(3,633,711)	(4,853,789)
Rates	1,713,505	(6,553,544)
Government Grants	(6,214,414)	6,844,230
Other	867,198	(5,144,476)
Decrease /(Increase) in Post retirement benefits and Long services	12,967,487	18,785,707
(Decrease)/Increase in other provisions	58,129,184	3,424,891
(Decrease)/Increase in unspent conditional grants and receipts	15,456,673	13,760,612
Increase/(Decrease) in creditors	3,716,110	(1,018,250)
Decrease/(Increase) in VAT(net)	(2,749,201)	575,134
<b>Cash generated by operations</b>	<b>202,332,400</b>	<b>228,659,118</b>

**37. PUBLIC PRIVATE PARTNERSHIPS**

**Waste to Energy (WtE)**

The Municipality has started with a Public Private Partnership process with a private party, Interwaste, to establish a WtE Facility with the objective of pursuing an alternative integrated waste management solution other than landfilling. The Interwaste PPP agreement would include the integrated management of the DM's waste management operations, including the planning, designing, financing, construction and operation of a Waste to Energy Plan which includes the establishment of a Materials Recovery Facility, Anaerobic Digestion Facility and a Direct Combustion Facility. The results of a feasibility study for the project presented to Council on 23 April 2014, has resulted in Council's approval in principle that the project should proceed. The WtE project is currently in the Environmental Impact Assessment (EIA) stage that includes a public participation process. Also all relevant agreements with the related stakeholders are being prepared. The Main PPP agreement will only be entered into and presented to Council for approval once all statutory authorisations and licenses have been obtained. The PPP is registered with National Treasury as Project M074.

**38. RELATED PARTY TRANSACTIONS**

Transactions with Key Management Personnel and Councilors

Compensation made to Key Management Personnel and Councilors is disclosed in note 28 above.

Consumer services rendered to Key Management Personnel amount to R 31,158.

Outstanding balances on Key Management Personnel's consumer accounts at 30 June 2015 (Current Accounts) amount to R 2,507 (2014: R 2,273).

Consumer services rendered to Councilors amount to R 738,989.

Outstanding balances on Councilors' consumer accounts at 30 June 2015 amount to R 67,026 (2014: R 46,577).

The consumer services are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Key Management Personnel and Councilors. No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Not all persons in the service of the state is seen as related parties as defined in IPSAS 20, as they do not necessarily control or have an interest that gives them significant influence over the municipality. For disclosure purposes however, awards to close family members of persons in the service of the state are disclosed in note 44.2.

**39. RESTATEMENT OF PRIOR YEAR FIGURES AND ERRORS**

The following restatements and errors occurred which are set out below:

**a) Change in Accounting Policy**

**i) Standards of GRAP implemented**

As noted in the accounting policies the new Standards of GRAP and the consequential amendments of the followings existing Standards of GRAP, effective for periods starting after 1 April 2015 were early adopted during the 2014/15 financial year:

GRAP 1 Presentation of Financial Statements  
 GRAP 2 Cash Flow Statements  
 GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors  
 GRAP 10 Financial Reporting in Hyperinflationary Economies  
 GRAP 11 Construction Contracts  
 GRAP 13 Leases  
 GRAP 16 Investment Property  
 GRAP 17 Property, Plant and Equipment  
 GRAP 19 Provisions, Contingent Liabilities and Contingent Assets  
 GRAP 21 Impairment of Non-cash-generating Assets  
 GRAP 23 Revenue from Non-exchange Transactions  
 GRAP 24 Presentation of Budget Information in Financial Statements  
 GRAP 25 Employee Benefits  
 GRAP 26 Impairment of Cash-generating Assets  
 GRAP 31 Intangible Assets  
 GRAP 103 Heritage Assets  
 GRAP 104 Financial Instruments  
 GRAP 105 Transfers between entities under common control  
 GRAP 106 Transfers between entities not under common control  
 GRAP 107 Mergers

Although only effective from 1 July 2014, the revised amendments to GRAP 5, Borrowing costs and GRAP 100, Discontinued Operations were early adopted during the 2013/14 financial year.

**ii) Non-current Assets**

During the current financial period, values were determined for heritage assets not recognised during the previous financial periods. In addition, classification of buildings and sites as heritage assets were reviewed. GRAP 103 transitional provisions ended on 1 July 2014 and the measurement of GRAP 103 was implemented retrospectively.

**b) Prior Period Adjustments**

**i) Adjustment of statement of financial performance items**

**REVENUE**

**Revenue from exchange transactions**

Service charges  
 Rental of facilities and equipment  
 Interest earned - external investments  
 Dividends - stock  
 Interest earned - outstanding debtors  
 Other income  
 Gains on disposal of property, plant and equipment

**Previously  
reported**      **Amount of  
adjustment**      **Restated**

<b>1,006,696,218</b>	<b>7,646,581</b>	<b>1,014,342,799</b>
948,550,809	7,558,443	956,109,252
8,527,340	(48,431)	8,478,909
9,840,452	136,569	9,977,021
15,120	-	15,120
12,301,251	-	12,301,251
27,461,247	-	27,461,247
-	-	-

**Revenue from non-exchange transactions**

Gains from assets from non exchange transactions  
 Property rates  
 Property rates - penalties imposed and collection charges  
 Fines  
 Licences and permits  
 Inventory Surplusses  
 Other income  
 Government grants and subsidies

<b>485,286,362</b>	<b>3,577,749</b>	<b>488,864,110</b>
898,081	-	898,081
185,563,549	-	185,563,549
1,580,988	-	1,580,988
58,119,441	3,578,079	61,697,519
13,079,229	(330)	13,078,899
-	-	-
-	-	-
226,045,074	-	226,045,074

**Total Revenue**

<b>1,491,982,580</b>	<b>11,224,330</b>	<b>1,503,206,910</b>
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 2015-16-17  
 2015-16-17

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**EXPENDITURE**

Employee related costs	368,388,765	-	368,388,765
Remuneration of councillors	18,745,472	-	18,745,472
Impairment of Financial assets	96,820,197	7,558,443	104,378,640
Collection costs	9,239,270	-	9,239,270
Depreciation and Amortisation	165,880,394	-	165,880,394
Impairment Losses	24,651,038	-	24,651,038
Repairs and maintenance	58,989,124	27,149	59,016,273
Interest paid	58,975,521	-	58,975,521
Bulk purchases	496,541,409	2,271,917	498,813,326
Contracted services	19,264,320	(108,000)	19,156,320
Grants and subsidies paid	836,706	-	836,706
General expenses	200,183,703	377,930	200,561,633
Loss on disposal of property , plant and equipment	2,431,753	-	2,431,753
<b>Total Expenditure</b>	<b>1,520,947,672</b>	<b>10,127,439</b>	<b>1,531,075,111</b>

**SURPLUS/(DEFICIT) FOR THE YEAR**

<b>(28,965,092)</b>	<b>1,096,890</b>	<b>(27,868,202)</b>
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**(ii) Adjustment of opening balances**

**NET ASSETS**

**Accumulated Surplus 1 July 2013**

Previously reported	Amount of adjustment	Restated
(2,415,226,054)	(3,786,638)	(2,419,012,692)

Adjustment to Interest Received	(126,741)
Adjustment to Stock Items	(2,378)
Adjustment to Housing debtors	1,364,973
Adjustment in Deposits	(58,015)
Adjustment to Trade Payables	9,894,070
Adjustment to Trade Payables	30,519
Adjustment to Lease Asset	(1,478)
Adjustment to Lease Liability	16,685
Adjustment to Heritage Assets	(390,212)
Adjustment to Accumulated Depreciation	(24,045,033)
Adjustment to Assets	4,213,023
Adjustment for Provision for Landfill Site	5,317,950

**ASSETS AND LIABILITIES**

Receivables from non-exchange transactions (Opening Balance at 1 July 2013)	62,873,448	(1,178,739)	61,694,709
Inventory (Opening Balance at 1 July 2013)	46,813,327	2,378	46,815,705
Payables from exchange transactions (Opening Balance at 1 July 2013)	185,414,856	(10,087,306)	175,327,550
Cash and Cash Equivalents (Opening Balance at 1 July 2013)	135,846,333	146,032	135,992,365
Capitalisation Reserve (opening balance 2012/13)	528,231,835	21,139	528,252,974
Heritage assets (opening balance 2012/13)	33,266,571	59,904,569	93,171,140
Property, plant and equipment (opening balance 2012/13)	4,024,319,002	(11,361,555)	4,012,957,447
Investment property (opening balance 2012/13)	73,065,857	(47,448,957)	25,617,000
Intangible assets (opening balance 2012/13)	5,847,821	4,995,051	10,842,872
Non-current Provision (Opening Balance at 1 July 2013)	65,357,254	5,317,950	70,675,204

**(iii) Adjustment of statement of financial position items**

**ASSETS**

**Non-current assets**

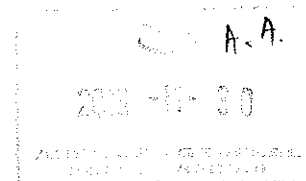
Property, plant and equipment	4,563,094,321	2,958,772	4,566,053,094
Heritage Assets	4,411,861,671	60,613,956	4,472,475,627
Intangible Assets	41,495,850	(13,953,150)	27,542,700
Investment property	8,508,826	3,921,923	12,430,749
Non current assets classified as held for sale	100,054,288	(47,623,957)	52,430,331
Investments	-	-	-
Long-term receivables	139,301	-	139,301
	1,034,386	-	1,034,386

**Current assets**

Inventory	438,021,550	2,662,356	440,683,906
VAT	29,632,586	2,378	29,634,965
Receivables from exchange transactions	12,337,870	5,617	12,343,487
Receivables from non-exchange transactions	149,016,892	-	149,016,892
Current portion of long-term receivables	64,061,350	2,489,923	66,551,272
Cash and cash equivalents	304,325	-	304,325
	182,668,527	164,438	182,832,965

**Total Assets**

<b>5,001,115,871</b>	<b>5,621,128</b>	<b>5,006,736,999</b>
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**NET ASSETS AND LIABILITIES**

**Non-current liabilities**

Long-term liabilities  
 Retirement Benefit Obligation  
 Non-Current Provisions

729,251,905	5,317,950	734,569,855
536,232,371	-	536,232,371
115,517,021	-	115,517,021
77,502,513	5,317,950	82,820,463

**Current liabilities**

Consumer deposits  
 Payables from exchange transactions  
 Unspent conditional grants and receipts  
 Current portion of long-term liabilities  
 Current portion of Retirement Benefit Obligation  
 Current Provisions

401,285,272	12,683,100	413,968,372
28,462,070	-	28,462,070
181,701,203	12,369,360	194,070,563
38,695,618	-	38,695,618
115,669,897	-	115,669,897
6,983,000	-	6,983,000
29,773,484	313,740	30,087,224

**Total Net Assets**

Housing Development Fund  
 Revaluation Reserve  
 Accumulated Surplus

3,870,578,695	(12,379,921)	3,858,198,773
30,899,273	-	30,899,273
1,422,351,024	(17,047,450)	1,405,303,574
2,417,328,398	4,667,529	2,421,995,926

**Total Net Assets and Liabilities**

5,001,115,872	5,621,128	5,006,737,000
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**(iv) Detail of individual items adjusted**

**a) Correction of interest accrued**

Interest received was captured in the incorrect financial year and was corrected accordingly.

**Decrease / (increase) in Accumulated Surplus (Opening Balance 1 July 2013)**

**Total of change  
2014**

**(126,741)**

**Increase / (decrease) in Receivables from non-exchange transactions (Opening Balance 1 July 2013)**

Recoverable Debtors

**126,741**

**126,741**

**Decrease / (increase) in Revenue from exchange transactions**

Interest earned - external investments

**(136,569)**

**(136,569)**

**Increase / (decrease) in Receivables from non-exchange transactions**

Recoverable Debtors

**136,569**

**136,569**

**Total of change  
2014**

**b) Correction of licence fees**

Income was incorrectly captured twice.

**Decrease / (increase) in Revenue from non-exchange transactions**

Licences Fees

**330**

**330**

**Increase / (decrease) in Receivables from non-exchange transactions**

Recoverable Debtors

**(330)**

**(330)**

**Total of change  
2014**

**c) Correction of stock adjustments**

Stock items incorrectly adjusted in prior periods.

**Increase / (decrease) in Inventory (Opening Balance 1 July 2013)**

Inventory

**2,378**

**2,378**

**Decrease / (increase) in Accumulated Surplus (opening balance 2013/14)**

**(2,378)**

**Total of change  
2014**

**d) Correction of housing debtors**

An amount was incorrectly reversed in the prior financial period to accumulated income, it was now corrected.

**Increase / (decrease) in Receivables from non-exchange transactions (Opening Balance 1 July 2013)**

Housing Debtors

**(1,364,973)**

**(1,364,973)**

**Decrease / (increase) in Accumulated Surplus (opening balance 2013/14)**

**1,364,973**

**Total of change  
2014**

**e) Correction of deposit**

Payments were incorrectly expensed for deposits paid to the South African Post Offices and corrected in this financial year.

**Increase / (decrease) in Receivables from non-exchange transactions (Opening Balance 1 July 2013)**

Deposits

**58,015**

**58,015**

**Decrease / (increase) in Accumulated Surplus (opening balance 2013/14)**

**(58,015)**

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

<b>f) Correction of bulk purchases</b>	<b>Total of change 2014</b>
Payments were made in the current financial year for invoice dated in prior periods.	
<b>(Increase) / decrease in Payables from exchange transactions (Opening Balance 1 July 2013)</b>	<b>(9,894,070)</b>
Trade creditors	(9,894,070)
<b>Decrease / (increase) in Accumulated Surplus (opening balance 2013/14)</b>	<b>9,894,070</b>
<b>(Increase) / decrease in Payables from exchange transactions</b>	<b>(2,271,917)</b>
Trade creditors	(2,271,917)
<b>Increase / (Decrease) in Bulk purchases</b>	<b>2,271,917</b>
Water purchases	2,271,917
<b>g) Correction of prior year expenditure</b>	<b>Total of change 2014</b>
Payments were made in the current financial year for invoice dated in prior periods.	
<b>(Increase) / decrease in Payables from exchange transactions (Opening Balance 1 July 2013)</b>	<b>(32,239)</b>
Trade creditors	(32,239)
<b>Decrease / (increase) in Accumulated Surplus (opening balance 2013/14)</b>	<b>30,519</b>
<b>(Increase) / decrease in VAT (Opening Balance 1 July 2013)</b>	<b>1,721</b>
<b>(Increase) / decrease in Payables from exchange transactions</b>	<b>(37,843)</b>
Trade creditors	(37,843)
<b>(Decrease) / increase in General Expenditure</b>	<b>4,023</b>
Advertising Cost	703
Books and publication	656
General Materials	25
Petrol & Diesel	2,638
<b>(Decrease) / increase in Repairs and Maintenance</b>	<b>27,149</b>
Repair Playground Equipment	1,028
Pruning and Cutting of Trees	435
Tools and Machinery	24,211
Service Contracts	561
Electrical maintenance	887
Distribution water	28
<b>Increase / (decrease) in Receivables from non-exchange transactions</b>	<b>2,775</b>
Recoverable Debtors	2,775
<b>(Increase) / decrease in VAT</b>	<b>3,896</b>
VAT Control	3,896
<b>h) Correction of stale cheques reversed</b>	<b>Total of change 2014</b>
Cheques have been cancelled from the bank recon and placed on a creditor register.	
<b>(Increase) / decrease in Payables from exchange transactions (Opening Balance 1 July 2013)</b>	<b>(146,032)</b>
Trade creditors	(146,032)
<b>Increase / (decrease) in Cash and cash equivalents (Opening Balance 1 July 2013)</b>	<b>146,032</b>
Cashbook	146,032
<b>(Increase) / decrease in Payables from exchange transactions</b>	<b>(18,406)</b>
Trade creditors	(18,406)
<b>Increase / (decrease) in Cash and cash equivalents</b>	<b>18,406</b>
Cashbook	18,406

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	<b>Total of change 2014</b>
<b>i) Correction of prior lease asset</b>	
During the year some adjustments were made to lease contracts and the correction were adjusted accordingly.	
<b>Increase / (decrease) in Receivables from non-exchange transactions (Opening Balance 1 July 2013)</b>	<b>1,478</b>
Rental Leases: Straight lining	1,478
<b>Decrease / (increase) in Accumulated Surplus (opening balance 2013/14)</b>	<b>(1,478)</b>
<b>Increase / (decrease) in Receivables from non-exchange transactions</b>	<b>(48,431)</b>
Rental Leases: Straight lining	(48,431)
<b>Decrease / (increase) in Rental of facility and equipment</b>	<b>48,431</b>
Property lease income	48,431
	<b>Total of change 2014</b>
<b>j) Correction of prior lease liability</b>	
During the year some adjustments were made to lease contracts and the correction were adjusted accordingly.	
<b>(Increase) / decrease in Payables from non-exchange transactions (Opening Balance 1 July 2013)</b>	<b>(16,685)</b>
Rental Leases: Straight lining	(16,685)
<b>Decrease / (increase) in Accumulated Surplus (opening balance 2013/14)</b>	<b>16,685</b>
<b>(Increase) / decrease in Payables from non-exchange transactions</b>	<b>(60,167)</b>
Rental Leases: Straight lining	(60,167)
<b>Increase / (Decrease) in General Expenditure</b>	<b>60,167</b>
Property lease expenditure	60,167
	<b>Total of change 2014</b>
<b>k) Correction of traffic fines</b>	
During the year some adjustments were made to traffic fines and the correction were adjusted accordingly.	
<b>Increase / (decrease) in Receivables from non-exchange transactions</b>	<b>3,578,079</b>
Traffic Fines	3,578,079
<b>Decrease / (increase) in Revenue from non-exchange transactions</b>	<b>(3,578,079)</b>
Traffic Fines	(3,578,079)
<b>Increase / (decrease) in Receivables from non-exchange transactions</b>	<b>(3,694,800)</b>
Traffic Fines	(3,694,800)
Provision for Impairment on Traffic Fines	3,694,800
<b>Increase / (decrease) in Receivables from non-exchange transactions</b>	<b>(712,435)</b>
Traffic Fines	(712,435)
Provision for Reduction of Traffic Fines	712,435
	<b>Total of change 2014</b>
<b>l) Correction of basic electricity charges</b>	
During the year some adjustments were made to electricity revenue and the correction were adjusted accordingly.	
<b>Increase / (decrease) in Receivables from exchange transactions</b>	<b>8,616,625</b>
Service Debtors: Electricity	8,616,625
<b>Decrease / (increase) in Revenue from exchange transactions</b>	<b>(7,558,443)</b>
Service charges: Electricity	(7,558,443)
<b>(Increase) / decrease in Payables from exchange transactions</b>	<b>(1,058,182)</b>
Other creditors	(1,058,182)
<b>Increase / (decrease) in Receivables from exchange transactions</b>	<b>(8,616,625)</b>
Provision for doubtful debts	(8,616,625)
<b>Increase / (Decrease) in Impairment of Financial assets</b>	<b>7,558,443</b>
Provision for doubtful debts	7,558,443
<b>(Increase) / decrease in Payables from exchange transactions</b>	<b>1,058,182</b>
VAT on provision for doubtful debts	1,058,182

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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

<b>m) Correction of provision raised</b>	<b>Total of change 2014</b>
During the year some adjustments were made to a provision and the correction were adjusted accordingly.	
<b>(Increase) / decrease in Payables from exchange transactions</b>	<b>108,000</b>
Other creditors	108,000
<b>Increase / (Decrease) in Contracted Services</b>	<b>(108,000)</b>
<b>n) Non-current Assets</b>	
During the current financial period, the asset register was also reviewed and movable items written off which were not considered to be assets, as well as properties transferred to third parties during previous financial periods, but which were not previously de-recognised in the asset register. In addition, operating expenses previously erroneously capitalised were also de-recognised. During the review of the asset register several assets were reclassified to more appropriate asset types and classes. The effects thereof are as follows:	
<b>Decrease/(increase) in Capitalisation Reserve 30 June 2013 (opening balance 2012/13)</b>	<b>21,139</b>
<b>Increase/(decrease) in Property, plant and equipment 30 June 2013 (opening balance 2013/14)</b>	<b>59,904,569</b>
Cost	34,504,244
Accumulated depreciation	25,400,325
<b>Increase/(decrease) in Heritage assets 30 June 2013 (opening balance 2013/14)</b>	<b>(11,361,555)</b>
Fair value (deemed cost)	(11,361,555)
<b>Increase/(decrease) in Investment property 30 June 2013 (opening balance 2013/14)</b>	<b>(47,448,957)</b>
Fair value	(47,448,957)
<b>Increase/(decrease) in Intangible assets 30 June 2013 (opening balance 2013/14)</b>	<b>4,995,051</b>
Cost	6,569,052
Accumulated depreciation	(1,574,001)
<b>Increase/(decrease) in Property, plant and equipment</b>	<b>60,613,956</b>
Cost	33,236,870
Accumulated depreciation	27,377,086
<b>Increase/(decrease) in Heritage assets</b>	<b>(13,953,150)</b>
Fair value (deemed cost)	(13,953,150)
<b>Increase/(decrease) in Investment property</b>	<b>(47,623,957)</b>
Fair value	(47,623,957)
<b>Increase/(decrease) in Intangible assets</b>	<b>3,921,923</b>
Cost	6,425,435
Accumulated amortisation	(2,503,512)
<b>Decrease / (increase) in Accumulated Surplus (opening balance 2013/14)</b>	<b>(20,006,222)</b>
	(20,006,222)
<b>Decrease/(increase) in Revaluation Reserve (opening balance 2013/14)</b>	<b>17,047,450</b>
<b>o) Correction of provision for the rehabilitation of landfill</b>	
During the year some adjustments were made to the provision for the rehabilitation of landfill sites, due to an incorrect prior year interpretation and the corrections were adjusted accordingly.	
<b>(Increase) / decrease in Provisions (opening balance 2012/13)</b>	<b>(5,317,950)</b>
Provision for the rehabilitation of landfill	(5,317,950)
<b>Decrease / (increase) in Accumulated Surplus (Opening Balance 2013/14)</b>	<b>5,317,950</b>
<b>(Increase) / decrease in Provisions</b>	<b>(313,740)</b>
Provision for the rehabilitation of landfill	(313,740)
<b>Increase / (decrease) in General Expenditure</b>	<b>313,740</b>
Provision for landfill site	313,740
<b>(v) Other disclosure adjustments</b>	
<b>a) Contingent Liability</b>	

It was previously erroneously disclosed that a claim existed from Cape Winelands District Municipality for Fire Fighting charges incurred on behalf of Drakenstein Municipality.

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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**b) Lease commitment adjustments**

Prior year comparative correction on Note 41, *Operating Lease Commitments as a lessor*. The amount was a non-financial disclosure and therefore was corrected accordingly.

	PREVIOUSLY REPORTED	RESTATED AMOUNT
Receivable	447,629	795,187
Receivable	1,249,247	1,734,934
Receivable	593,256	150,085
	<b>2,290,132</b>	<b>2,680,206</b>

Prior year comparative correction on Note 41, *Operating Lease Commitments as a lessee*. The amount was a non-financial disclosure and therefore was corrected accordingly.

Payable	0	80,332
Payable	0	516,400
Payable	0	84,952
	<b>0</b>	<b>681,684</b>

**c) Receivables from non-exchange transactions: Traffic Fines**

Fines receivable were previously incorrectly disclosed under Receivables from non-exchange transactions - other debtors, instead of Receivables from non-exchange transactions - consumer debtors. The disclosure requirements of GRAP 104.29 (revised) has now been applied to fines receivable.

**(vi) Reclassification**

The following reclassifications and note changes was done on the comparative information as previously disclosed:

**a) UNSPENT CONDITIONAL GRANTS AND RECEIPTS (REFER TO NOTE 10)**

**Conditional Grants from other spheres of Government**

Equitable Share	
MIG / RBIG Grants	
National Government : Budget Reform Programme (FMG - Grant)	
Provincial Government : Mandela Commemoration	
Provincial Government : Provincial Highways	
Provincial Government : Housing	
Provincial Government : Other projects	
Other Institutions	

PREVIOUSLY REPORTED	RECLASSIFIED
<b>35,009,032</b>	
0	
7,068,093	
400,000	
25,100	
0	
13,678,596	
852,134	
12,985,109	
<b>3,686,585</b>	
1,850,307	
536,277	
1,300,000	
<b>38,695,617</b>	

**Other Conditional Receipts**

Developers Contributions - Water , Sewerage & Electricity
Developers Contributions - Electricity
Developers - Guarantees

**Total Conditional Grants and Receipts**

The disclosure has been restructured and is presented as follow:

**Conditional Grants from other spheres of Government**

National Government (Unconditional Grants)
National Government (Other)
National Government (Conditional Grants)
Provincial Government (Conditional Grants)
Guaretees and Donations (Unconditional)

<b>38,695,617</b>
0
8,323,399
23,663,143
4,092,460
2,616,615
<b>38,695,617</b>

**Total Conditional Grants and Receipts**

2015-11-30  
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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**b) GOVERNMENT GRANTS AND SUBSIDIES (REFER TO NOTE 26)**

	PREVIOUSLY REPORTED	RECLASSIFIED
Grants from Operational	128,597,770	
Grants from Capital	97,447,304	
	<b>226,045,074</b>	
Equitable Share	75,995,000	
Other	24,803,937	
<b>Operational grants</b>	<b>100,798,937</b>	
<b>Conditional grants</b>	<b>127,022,729</b>	
MIG/RBIG Grants	70,739,724	
National Government : Budget Reform Programme	1,300,000	
Provincial Government : Highway claims	0	
Provincial Government : Mandela commemoration	74,900	
Provincial Government : Housing	52,123,977	
Provincial Government : Other projects	2,784,128	
<b>Housing Scheme treated as an agency</b>	<b>(1,776,592)</b>	
<b>Total Government Grant and Subsidies</b>	<b>226,045,074</b>	

*The disclosure has been restructured and is presented as follow:*

Grants from Operational	128,597,770
Grants from Capital	97,447,304
	<b>226,045,074</b>
Unconditional grants	
Equitable Share	75,995,000
Other	9,588,693
<b>Operational grants</b>	<b>85,583,693</b>
<b>Conditional grants</b>	<b>142,237,973</b>
National Government	48,720,705
Provincial Government	93,517,269
<b>Housing Scheme treated as inventory</b>	<b>(1,776,592)</b>
<b>Total Government Grant and Subsidies</b>	<b>226,045,074</b>

**c) OTHER INCOME (REFER TO NOTE 27)**

	PREVIOUSLY REPORTED	RECLASSIFIED
Admin charges	1,414,980	
Camping coupons	577,494	
Camping fees	373,085	
Burial fees	1,691,300	
Building inspection fees	5,286,491	
Fair value adjustments on Investment property	1,163,464	
Electricity: New connection fees	2,270,729	
Entrance fees	1,153,584	
Garden refuse removal	73,069	
Legal costs recovered	87,719	
Sundry Income	5,499,236	
Water: New Connection fees	588,859	
Others	7,281,236	
	<b>27,461,247</b>	

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

The disclosure has been restructured and is presented as follow:

<b>Other income - Exchange transactions</b>	<b>1,414,980</b>
Admin Charges : Other	80,066
Allotment Charges	231,187
Application Fees	5,286,491
Building Inspection Fees	1,691,300
Burial Fees	577,494
Camping Coupons	373,085
Camping Fees	308,384
Commission: Sanlam	52,305
Contravention Levy	1,163,464
Depreciation Written Back	402,332
Drain Cleaning	2,270,729
Electricity : New Connection Fees	462,139
Electricity : Reconnection Fees	1,153,584
Entrance Fees	138,182
Film Shoots	199,591
Fire Brigade Fees	73,069
Garden Refuse Removal	545,959
Investigation Fees Certificates	87,719
Legal Costs Recovered	4,005,511
Other Income	357,988
Recoverable Services	109,101
Sale: Tickets	295,070
Sewerage : New Connection Fees	5,592,658
Sundry Income	588,859
Water : New Connection Fees	<b>27,461,247</b>

**d) EMPLOYEE RELATED COSTS (REFER TO NOTE 28)**

	PREVIOUSLY REPORTED	RECLASSIFIED
Salaries and Wages	243,540,503	
Social contributions - UIF, pensions and medical aid etc.	66,361,674	
Travel, motor car, accommodation, subsistence and other allowances	6,689,334	
Housing benefits and allowances	1,889,748	
Housing Allowance	17,370	
Overtime payments	18,981,129	
Contribution - Furniture Removal	111,794	
Long Service Awards	2,443,548	
Defined Benefits Pensioners	410,235	
Acting Allowance	1,604,878	
Shift Allowance	1,362,474	
Standby Allowance	4,735,480	
Night Shift Allowance	1,639,370	
Cell Allowance	307,330	
Performance bonus	0	
Workman Compensation	3,082,361	
Contribution to leave reserve	3,245,627	
<b>Defined Benefit Plan Expense: Post Employment Health Care Benefits</b>	<b>1,189,152</b>	
Current Service Cost	0	
Loss on actuarial valuations (Post Employment Health Care)	1,189,152	
(Gains) on actuarial valuations	0	
Interest Cost	0	
<b>Defined Benefit Plan Expense: Ex Gratia Pension Benefits</b>	<b>(657,295)</b>	
Current Service Cost	0	
Loss on actuarial valuations	0	
(Gains) on actuarial valuations	(657,295)	
Interest Cost	0	
<b>Defined Benefit Plan Expense: Long Service Awards</b>	<b>11,998,993</b>	
Current Service Cost	0	
Loss on actuarial valuations (Long Service Awards))	11,998,993	
(Gains) on actuarial valuations	0	
Interest Cost	0	
	<b>368,953,725</b>	
Expenditure Recharged	(564,960)	
Recharged to repairs and maintenance	0	
Recharged to capital projects	(564,960)	
<b>Total Employee Related Costs</b>	<b>368,388,765</b>	

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Salaries and Wages**

243,540,503

**Other Allowances and contributions**

98,571,653

Social contributions - UIF, pensions and medical aid etc.  
Travel, motor car, accommodation, subsistence and other allowances  
Housing benefits and allowances  
Housing Allowance  
Overtime payments  
Settling cost  
Serverence package  
Acting Allowance  
Shift Allowance  
Standby Allowance  
Night Shift Allowance  
Cell Allowance  
Fire Sunday and Public Holiday Allowance  
Workman Compensation  
Contribution to leave reserve

54,914,674  
6,689,334  
1,889,748  
17,370  
18,981,129  
111,794  
0  
1,604,878  
1,362,474  
4,735,480  
1,639,370  
307,330  
0  
3,082,381  
3,245,627

Provision for performance bonuses

0

**Defined Benefit Plan Expense: Post Employment Health Care Benefits**

12,646,088

Current Service Cost  
Loss on actuarial valuations  
(Gains) on actuarial valuations  
Interest Cost

2,390,513  
1,189,152  
0  
9,066,423

**Defined Benefit Plan Expense: Ex Gratia Pension Benefits**

(237,124)

Current Service Cost  
Loss on actuarial valuations  
(Gains) on actuarial valuations  
Interest Cost

0  
0  
(657,295)  
410,235

**Defined Benefit Plan Expense: Long Service Awards**

14,432,605

Current Service Cost  
Loss on actuarial valuations  
(Gains) on actuarial valuations  
Interest Cost

1,241,235  
11,998,993  
0  
1,192,377

**Sub Total**

368,953,725

Expenditure Recharged  
Recharged to repairs and maintenance  
Recharged to capital projects

(564,960)  
0  
(564,960)

**Total Employee Related Costs**

368,388,765

**40. FINANCING FACILITIES**

Unsecured Bank overdraft

- Amount used  
- Amount unused

0 0  
5,000,000 5,000,000

5,000,000 5,000,000

**41. OPERATING LEASE COMMITMENTS**

**The Municipality as Lessee**

Future minimum lease payments under non-cancellable operating leases:

**Equipment**

Payable within one year  
Payable within two to five years  
Payable after more than five years

469,406 1,020,501

396,795 550,765  
72,612 469,736  
0 0

469,406 1,020,501

The Municipality has significant current lease arrangements for photocopy and fax machines over a period of 3 - 5 years being subject to escalation.

**Land and Buildings**

Payable within one year  
Payable within two to five years  
Payable after more than five years

601,352 681,684

87,156 80,332  
514,196 516,400  
0 84,952

601,352 681,684

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

The Municipality has significant current lease arrangements for land and buildings over a period of 10 years being subject to increased lease payments.

**Total commitments: Municipality as Lessee**

**1,070,758                      1,702,185**

**The Municipality as Lessor**

At Statement of Financial Performance date the Municipality has contracted with tenants for the following future minimum lease payments.

Receivable within one year	804,379	795,187
Receivable within two to five years	1,299,498	1,734,934
Receivable after more than five years	121,871	150,085
	<b>2,225,747</b>	<b>2,680,206</b>

The Municipality lets its investment properties under operating leases. Property rental income earned during the year was R 664,241.00 (2014: R 887,742) The properties are maintained by the tenants at their cost. No investment properties have been disposed of since the statement of financial performance date. Properties are leased for periods ranging from 3 to 25 years. Escalations on lease installments are applied on recommendation of an independent valuator and does not exceed 10% pa.

Drakenstein Municipality entered into an agreement with Anytime Investments 14 Pty (Ltd) during 2010, with the purpose of urban regeneration. In terms of the agreement, the private party (Anytime) would lease Erf 20343 Paarl (Wamakersplein) for a period of 30 years with an extension option of another 20 years, during which time a commercial facility will be constructed and operated by the private party. Furthermore the various other municipal owned parking areas and sections of street parkings will be leased from the municipality for a period of 7 years and operate these as paid parking facilities, this will also co-incide with the upgrading of these areas (parking areas and sidewalks) by the private party.

In terms of the agreement, if any of the agreements were to come to an end due to the non-conformance to any suspensive condition, the parties will negotiate in good faith to come to a fair agreement to ensure that the private party can recoup the direct expenses to the parking areas, which may include a lease for a limited time, so that the private party's expenses can be recouped by way of a lease of sufficient length.

Up to 30 June 2015, the commercial property had not been constructed, an obligation of the private party in terms of the agreement. The lease of Erf 20343 as well as the other areas has been accounted for as an operating lease since the inception of the lease agreements.

**42. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFULL EXPENDITURE DISALLOWED**

**42.1 UNAUTHORISED EXPENDITURE**

**42.1.1 Application of sec (a) of the definition of Unauthorised expenditure in terms of the MFMA**

**Reconciliation of unauthorised expenditure - Per Sec (a) of the definition of Unauthorised expenditure (Total Budget)**

	2015	2014
Opening balance	(34,190,541)	(3,093,005)
Unauthorised expenditure for financial year	0	(34,190,541)
Original Unauthorised expenditure reported in 2013/14	0	0
Restatement of expenditure due to change in accounting policy or correction of errors	0	(34,190,541)
Written off by Council	34,190,541	3,093,005
Unauthorised expenditure awaiting authorisation	0	(34,190,541)

**42.1.2 Application of Sec (b) of the definition of Unauthorised**

**Reconciliation of unauthorised expenditure - Per Sec (b) of the definition of Unauthorised expenditure (Vote - GFS)**

	2015	2014
Opening balance	(102,959,450)	(37,163,238)
Unauthorised expenditure for financial year (Aggregate of GFS Functions overspent)	0	(80,046,813)
Written off by Council	98,789,791	14,250,601
Unauthorised expenditure awaiting authorisation	(4,169,659)	(102,959,450)

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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

2014/15	2015			
UNAUTHORISED EXPENDITURE PER GOVERNMENT FINANCIAL STATISTICS (GFS)	BUDGET	ACTUAL EXPENDITURE	AUTHORISED / (UNAUTHORISED)	AMOUNT WRITTEN OFF BY COUNCIL
	R	R	R	R
EXECUTIVE AND COUNCIL	54,819,514	47,624,465	7,195,049	0
BUDGET AND TREASURY OFFICE	61,891,142	43,717,148	18,173,994	0
CORPORATE SERVICES	139,576,597	132,877,131	6,699,466	0
PLANNING AND DEVELOPMENT	34,772,483	33,326,807	1,445,676	0
HEALTH	5,193,707	5,093,304	100,403	0
COMMUNITY AND SOCIAL SERVICES	27,114,467	25,627,385	1,487,082	0
HOUSING	119,596,648	118,340,882	1,255,766	0
PUBLIC SAFETY	108,771,530	97,110,870	11,660,660	0
SPORT AND RECREATION	60,201,196	58,091,192	2,110,004	0
WASTE MANAGEMENT	155,852,680	131,414,735	24,437,945	0
WASTE WATER MANAGEMENT	99,442,693	87,543,353	11,899,340	0
ROAD TRANSPORT	92,294,015	89,013,906	3,280,109	0
WATER	106,582,733	102,700,702	3,882,031	0
ELECTRICITY	701,338,279	668,605,262	32,733,017	0
ENVIROMENTAL PROTECTION	0	0	0	0
	<b>1,767,447,684</b>	<b>1,641,087,143</b>	<b>126,360,541</b>	<b>0</b>
Authorised			126,360,541	
Unauthorised			0	
			<b>126,360,541</b>	

Refer to appendix C1 for more detail

2013/14	2014			
UNAUTHORISED EXPENDITURE PER GOVERNMENT FINANCIAL STATISTICS (GFS)	BUDGET	ACTUAL EXPENDITURE	AUTHORISED / (UNAUTHORISED)	AMOUNT WRITTEN OFF BY COUNCIL
	R	R	R	R
EXECUTIVE AND COUNCIL	52,909,301	52,995,127	(85,826)	85,826
BUDGET AND TREASURY OFFICE	40,646,579	59,995,826	(19,349,247)	19,346,627
CORPORATE SERVICES	126,485,131	133,215,231	(6,730,100)	6,730,100
PLANNING AND DEVELOPMENT	27,880,282	25,817,017	2,063,265	0
HEALTH	5,405,674	5,356,870	48,804	0
COMMUNITY AND SOCIAL SERVICES	21,329,657	21,687,554	(357,897)	348,065
HOUSING	141,622,361	107,948,355	33,674,006	0
PUBLIC SAFETY	43,779,456	92,799,545	(49,020,089)	49,020,089
SPORTS AND RECREATION	51,104,657	51,470,249	(365,592)	346,448
WASTE MANAGEMENT	78,402,774	77,760,527	642,247	0
WASTE WATER MANAGEMENT	86,874,840	84,065,320	2,809,520	0
ROAD TRANSPORT	84,116,251	82,203,635	1,912,616	0
WATER	93,828,939	96,081,038	93,828,939	0
ELECTRICITY	634,354,185	629,990,045	4,364,140	0
ENVIROMENTAL PROTECTION	0	0	0	0
	<b>1,488,740,087</b>	<b>1,521,386,340</b>	<b>63,434,786</b>	<b>75,877,154</b>
Authorised			139,343,537	
Unauthorised - 2013/2014			(75,908,751)	
			<b>63,434,786</b>	
AUTHORISED / (UNAUTHORISED)				
2013/2014			(75,908,751)	75,877,154
2012/2013			(22,403,156)	22,403,156
2011/2012			(509,481)	509,481
			<b>(98,821,388)</b>	<b>98,789,791</b>

Unauthorised expenditure was certified and written-off by Council on 4 March 2015

Refer to appendix C1 for more detail

**42.1.3 Application of Sec (b) of the definition of Unauthorised expenditure in terms of the MFMA**

**Reconciliation of unauthorised expenditure - Per Sec (b) of the definition of Unauthorised expenditure (Vote - Directorate)**

	2015	2014
Opening balance	(75,315,134)	(47,945,207)
Unauthorised expenditure for financial year (Aggregate of Directorates overspent)	0	(41,108,506)
Written off by Council	71,417,330	13,738,579
Unauthorised expenditure awaiting authorisation	<b>(3,897,804)</b>	<b>(75,315,134)</b>

	2015			
	BUDGET	ACTUAL EXPENDITURE	AUTHORISED / (UNAUTHORISED)	AMOUNT WRITTEN OFF BY COUNCIL
	R	R	R	R
<b>UNAUTHORISED EXPENDITURE PER VOTE (DIRECTORATE)</b>				
OFFICE OF THE MUNICIPAL MANAGER	5,476,980	3,933,702	1,543,278	0
CORPORATE SERVICES	102,562,890	96,945,600	5,617,290	0
COMMUNITY SERVICES	482,810,402	440,264,109	42,546,293	0
FINANCIAL SERVICES	61,891,142	43,717,148	18,173,994	0
PLANNING AND ECONOMIC DEVELOPMENT	34,051,666	31,548,998	2,502,668	0
INFRASTRUCTURE SERVICES	1,080,654,604	1,024,677,586	55,977,018	0
	<b>1,767,447,684</b>	<b>1,641,087,143</b>	<b>126,360,541</b>	<b>0</b>
<b>Authorised</b>			126,360,541	
<b>Unauthorised</b>			0	
			<b>126,360,541</b>	

Refer to appendix C1 for more detail

	2014			
	BUDGET	ACTUAL EXPENDITURE	AUTHORISED / (UNAUTHORISED)	AMOUNT WRITTEN OFF BY COUNCIL IN 2014/2015
	R	R	R	R
<b>UNAUTHORISED EXPENDITURE PER VOTE (DIRECTORATE)</b>				
OFFICE OF THE MUNICIPAL MANAGER	2,471,018	2,067,176	403,842	0
CORPORATE SERVICES	99,367,754	102,062,595	(2,694,841)	2,694,841
COMMUNITY SERVICES	346,640,266	361,825,654	(15,185,388)	15,185,388
FINANCIAL SERVICES	41,014,892	60,347,986	(19,333,094)	19,330,473
PLANNING AND ECONOMIC DEVELOPMENT	27,166,194	25,309,934	1,856,260	0
INFRASTRUCTURE SERVICE	972,079,963	969,772,996	2,306,967	0
	<b>1,488,740,087</b>	<b>1,521,386,340</b>	<b>(32,646,253)</b>	<b>37,210,702</b>
<b>Authorised</b>			4,567,069	
<b>Unauthorised</b>			(37,213,322)	
			<b>(32,646,253)</b>	
<b>AUTHORISED / (UNAUTHORISED)</b>				
2013/2014			(37,213,322)	37,210,702
2012/2013			(15,727,075)	15,727,075
2011/2012			(18,479,553)	18,479,553
			<b>(71,419,950)</b>	<b>71,417,330</b>

Unauthorised expenditure was certified and written-off by Council on 4 March 2015.

Refer to appendix C1 for more detail

#### 42.2 FRUITLESS AND WASTEFUL EXPENDITURE

Opening Balance	14,475	66,493
Fruitless expenditure current year	0	0
Payments received during the year	0	0
Approved by council	0	(52,018)
<b>Closing Balance</b>	<b>14,475</b>	<b>14,475</b>

Incident	Disciplinary steps/criminal proceedings		
Payment to service provider, payment into wrong bank.	Council attorneys busy to recover money.	14,475	14,475
		<b>14,475</b>	<b>14,475</b>

#### 42.3 IRREGULAR EXPENDITURE

Opening Balance	35,767	5,075,940
Irregular expenditure current year	16,190,186	40,774
Payments received during the year	(40,774)	0
Approved by council	0	(5,080,947)
Irregular expenditure identified in the current year relating to prior years	9,738,957	0
<b>Closing Balance</b>	<b>25,924,136</b>	<b>35,767</b>

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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

Incident	Disciplinary steps/criminal proceedings/reasons for write-offs		
Paid more than the proclaimed cost to company package	To be recovered	0	6,994
		0	28,776
		0	5,004
In contravention with Regulation 44(a) of the Municipal Supply Chain Management Regulations.	To be written off. Full information regarding persons in service of the state not available to the municipality. Expenditure incurred before finding was raised. Service provider inactive since the finding occurred.	1,066	0
	To be written off. The service provider was appointed by Provincial Government, but for our account. The specific employee in service of the state resigned on 23 October 2014 from the company.	523,858	0
No procurement process followed to procure services	User departments will commence the procurement process in appointing service providers in accordance with the SCM policy.	1,507,283	0
In contravention with paragraph 9 of the Preferential Procurement Regulations.	To be written off. Application of local content which is technical of nature and we are still awaiting further instruction notes to give guidance.	14,157,979	0
		<b>16,190,186</b>	<b>40,774</b>
Incident	Disciplinary steps/criminal proceedings/reasons for write-offs		
No procurement process followed to procure services	User departments will commence the procurement process in appointing service providers in accordance with the SCM policy. These irregularities relates to prior years expenditure identified in the current financial year.	9,738,957	0
		<b>9,738,957</b>	<b>0</b>

**43. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**43.1 Contributions to SALGA**

Opening balance	0	0
Council subscriptions	4,301,610	3,646,451
Amount paid - current year	(4,301,610)	(3,646,451)
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>

**43.2 Audit fees**

Opening balance	0	0
Current year audit fee	4,660,820	5,447,683
Amount paid - current year	(4,660,820)	(5,447,683)
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>

**43.3 VAT**

VAT output payables and VAT input receivables are shown in Note 18. All VAT returns have been submitted by the due date throughout the year.

**43.4 PAYE**

Opening balance	43,943,647	36,270,605
Amount paid - current year	(43,943,647)	(36,270,605)
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>

**43.5 UIF**

Opening balance	0	0
Current year payroll deductions	4,761,766	4,433,654
Amount paid - current year	(4,761,766)	(4,433,654)
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>

**43.6 Pension Deductions**

Opening balance	0	0
Current year payroll deductions and council contributions	63,340,164	58,580,590
Amount paid - current year	(63,340,164)	(58,580,590)
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>

**43.7 Medical Aid Deductions**

Opening balance	0	0
Current year payroll deductions and council contributions	24,823,058	22,563,549
Amount paid - current year	(24,823,058)	(22,563,549)
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**43.8 Councillors arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 July 2014

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
CL C MANGENA	235	235	0
CL SP VON SCHLICHT	1,354	1,354	0
	<u>1,589</u>	<u>1,589</u>	<u>0</u>

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 August 2014

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
CL BJ KOTZE	2,982	2982	0
CL ML SOMNGQEZA	293	293	0
CL MA TSHAYA	56	56	0
CL C MANGENA	196	196	0
	<u>3,527</u>	<u>3527</u>	<u>0</u>

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 September 2014

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
CL JG RADEMEYER	373	373	0
CL C MANGENA	3,340	3,340	0
	<u>3,713</u>	<u>3,713</u>	<u>0</u>

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 October 2014

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
CL GJ/R WITBOOI	112	112	0
CL GJ/R WITBOOI	515	515	0
CL C MANGENA	5,377	5,377	0
CL BJ KOTZE	1,039	1,039	0
	<u>7,042</u>	<u>7,042</u>	<u>0</u>

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 November 2014

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
CL GJ/R WITBOOI	174	174	0
CL BJ KOTZE	3,055	3,055	0
CL F CUPIDO	1,033	1,033	0
CL C MANGENA	6,342	3,777	2,565
CL JG RADEMEYER	373	373	0
	<u>10,978</u>	<u>8,414</u>	<u>2,565</u>

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 December 2014

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
CL BJ KOTZE	2,098	2,098	0
CL C MANGENA	621	621	0
CL SP VON SCHLICHT	1,523	1,523	0
	<u>4,242</u>	<u>4,242</u>	<u>0</u>

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 January 2015

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
CL GJ/R WITBOOI	60	60	0
CL F CUPIDO	515	515	0
CL C MANGENA	347	347	0
CL MA TSHAYA	42	42	0
	<u>964</u>	<u>964</u>	<u>0</u>



**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

The following Councillors had arrear accounts outstanding for more than 90 days as at 28 February 2015

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
CL GJ/R WITBOOI	95	95	0
CL BJ KOTZE	1,092	1,092	0
CL F CUPIDO	1,033	1,033	0
CL MA TSHAYA	535	535	0
CL SP VON SCHLICHT	2,693	2,693	0
CL S KIKA	227	227	0
CL ML SOMNGQEZA	260	260	0
	<b>5,937</b>	<b>5,937</b>	<b>0</b>

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 March 2015

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
CL A STOWMAN	3,426	3,426	0
CL JG RADEMEYER	1,181	1,181	0
CL BJ KOTZE	53	53	0
CL GJ/R WITBOOI	1,556	1,042	515
CL SP VON SCHLICHT	2,866	2,866	0
CL C MANGENA	41	41	0
	<b>9,124</b>	<b>8,609</b>	<b>515</b>

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 April 2015

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
CL ML SOMNGQEZA	35	35	0
CL BJ KOTZE	53	53	0
CL C MANGENA	32	32	0
CL MA TSHAYA	1,021	1,021	0
	<b>1,142</b>	<b>1,142</b>	<b>0</b>

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 May 2015

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
CL C MANGENA	227	227	0
CL JG RADEMEYER	1,139	1,139	0
CL GJ/R WITBOOI	514	514	0
CL BUCKLE TRUST	1,296	1,296	0
	<b>3,176</b>	<b>3,176</b>	<b>0</b>

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2015

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
CL BJ KOTZE	192	192	0
CL F CUPIDO	1,033	1,033	0
CL C MANGENA	115	115	0
CL T/M ADRIAANSE	841	841	0
CL SP VON SCHLICHT	1,843	1,843	0
CL MA TSHAYA	128	128	0
CL DS BLANKENBERG	96	96	0
	<b>4,247</b>	<b>4,247</b>	<b>0</b>

30th June 2014

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
GJ/R WITBOOI	709	709	0
CJ/JH POOLE	636	636	0
<b>Total Councillor Arrear Consumer Accounts</b>	<b>1,345</b>	<b>1,345</b>	<b>0</b>

**43.9 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

Non Compliance to the following sections of chapters of the MFMA :

CHAPTER	SECTION	SUB - SECTION
8	64	-3
8	71	(1) to (5)
8	74	(1) to (2)

**44. ADDITIONAL DISCLOSURES IN TERMS OF THE SUPPLY CHAIN MANAGEMENT REGULATIONS**

**44.1 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

The majority of the items were due to emergency circumstances and economic benefits for the municipality.

If not possible to obtain at least 3 written quotations, the reasons must be recorded and reported	6,956,892	8,970,453
If not possible to obtain at least 3 written quotations, the reasons must be recorded and approved	8,734,889	20,452,755
Dispense with the official procurement processes in an Emergency (as defined in terms of council's SCM policy)	1,022,525	564,496
Dispense with the official procurement processes if such goods or services are produced or available from a single Source or Sole provider (as defined in terms of council's SCM policy)	6,016,638	2,341,885
Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes	53,551,894	3,895,428
Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties	9,438,367	8,866,474
<b>Sub - totals</b>	<b>85,721,205</b>	<b>45,091,491</b>
Cheque request deviations	587,254	468,761
<b>Total Deviations</b>	<b>86,308,459</b>	<b>45,560,252</b>

**44.2 Awards to close family members of persons in service of the state - SCM Regulation 45**

Awards to close family members of persons in the service of the State				2015	2014
Supplier Name	Employee Name	Relationship	Department		
D Uren Vibracrete	Z Ajam	Child	Finance	548,261	877,019
Inter Media Printers	A Brink	Spouse	Finance	24,504	0
Business Connexion	C Phillips	Spouse	Planning: Economic Development	4,879,058	6,171,940
Siphakame Skills Developmen	N Vacu	Spouse	Planning: Economic Development	0	247,000
Nomakayandile Mercy Quwe	CZ Quwe	Spouse	Community Services	0	35,090
Exeo Khokela	T Meyer	Daughter	Western Cape Department of Education	7,147,450	41,810,856
				<b>12,599,273</b>	<b>49,141,905</b>

**45. CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

- Approved and contracted for	192,184,983	89,269,778
Infrastructure	153,429,544	64,166,553
Buildings	6,517,987	0
Other structures and facilities	18,240,667	4,825,749
Other	13,996,786	20,277,476
Housing	0	0
Intangibles	0	104,100
Investment Properties	0	0
<b>Total</b>	<b>192,184,983</b>	<b>89,269,778</b>

**46. FINANCIAL INSTRUMENTS**

**46.1 Fair Value of Financial Instruments**

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values, except for the listed Government stock. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015		2014	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
<b>FINANCIAL ASSETS</b>				
<b>Fair Value</b>	<b>141,695</b>	<b>141,695</b>	<b>139,301</b>	<b>139,301</b>
Listed Investments	141,695	141,695	139,301	139,301
<b>Amortised cost</b>	<b>520,223,922</b>	<b>520,223,922</b>	<b>412,083,327</b>	<b>412,083,327</b>
Long-term Receivables	3,313,839	3,313,839	1,034,386	1,034,386
Receivables from exchange transactions	171,779,799	171,779,799	149,016,892	149,016,892
Receivables from non-exchange transactions	70,184,984	70,184,984	66,551,272	66,551,272
Current Portion of Long-term Receivables	326,947	326,947	304,325	304,325
VAT Receivable	15,092,688	15,092,688	12,343,487	12,343,487
Bank Balances and Cash	259,525,666	259,525,666	182,832,965	182,832,965
<b>Total Financial Assets</b>	<b>520,365,617</b>	<b>520,365,617</b>	<b>412,222,628</b>	<b>412,222,628</b>
<b>FINANCIAL LIABILITIES</b>				
<b>At amortised cost:</b>	<b>1,024,369,355</b>	<b>1,024,369,355</b>	<b>913,130,518</b>	<b>913,130,518</b>
Unsecured Bank Facilities:	608,325,189	608,325,189	536,232,371	536,232,371
- Annuity Loans	608,325,189	608,325,189	536,232,371	536,232,371
- Bank Overdraft	0	0	0	0
Trade and Other Payables:	416,044,165	416,044,165	376,898,147	376,898,147
- Consumer Deposits	31,172,685	31,172,685	28,462,069	28,462,069
- Payables from exchange transactions	197,786,673	197,786,673	194,070,563	194,070,563
- Unspent Conditional Grants	54,152,291	54,152,291	38,695,618	38,695,618
- Current Portion of Long-term Liabilities	132,932,517	132,932,517	115,669,897	115,669,897
<b>Total Financial Liabilities</b>	<b>1,024,369,355</b>	<b>1,024,369,355</b>	<b>913,130,518</b>	<b>913,130,518</b>
<b>Total Financial Instruments</b>	<b>(504,003,738)</b>	<b>(504,003,738)</b>	<b>(500,907,890)</b>	<b>(500,907,890)</b>

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

The Fair Value of Long term liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of Other Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

The Annual Financial Statements include holdings in Listed Government Stock which are measured at Fair Value (Note 15). Fair Value is estimated with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

**Level 1:-**

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

**Level 2:-**

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

**Level 3:-**

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

30 June 2015

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Listed Investments	141,695	0	0	141,695
Call Deposits	0	0	0	0
Short-term Portion of Investments	0	0	0	0
Bank Balances and Cash	0	0	0	0
<b>Total Financial Assets</b>	<b>141,695</b>	<b>0</b>	<b>0</b>	<b>141,695</b>

**FINANCIAL LIABILITIES**

**Financial Instruments at Fair Value:**

Other Loans	0	0	0	0
Bank Overdraft	0	0	0	0
<b>Total Financial Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Financial Instruments</b>	<b>141,695</b>	<b>0</b>	<b>0</b>	<b>141,695</b>

30 June 2014

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Listed Investments	139,301	0	0	139,301
Call Deposits	0	0	0	0
Short-term Portion of Investments	0	0	0	0
Bank Balances and Cash	0	0	0	0
<b>Total Financial Assets</b>	<b>139,301</b>	<b>0</b>	<b>0</b>	<b>139,301</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Instruments at Fair Value:</b>				
Other Loans	0	0	0	0
Bank Overdraft	0	0	0	0
<b>Total Financial Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Financial Instruments</b>	<b>139,301</b>	<b>0</b>	<b>0</b>	<b>139,301</b>

**46.2 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 5; Cash and Cash Equivalents disclosed in Note 21; and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Notes 1 to 3 and the Statement of Changes in Net Assets.

**Gearing Ratio**

The gearing ratio at the year-end was as follows:

Debt	741,257,706	651,902,268
Equity	3,827,949,752	3,861,393,029
Net debt to equity ratio	19.36%	16.88%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 5.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.

**46.3 Financial Risk Management Objectives**

Due to largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRS mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

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The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

#### **46.4 Significant Accounting Policies**

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

#### **46.5 Market risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 46.7 below). No formal policy exists to hedge volatilities in the interest rate market.

#### **46.6 Interest Rate Risk**

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the Municipality's interest bearing external loan liabilities, as detailed in Appendix A, are fixed interest rate loans. Similarly with financial assets, the Municipality invests its surplus funds on fixed interest rate deposits with banks for fixed terms not exceeding one year.

No interest rate sensitivity analysis was performed, as the municipality is not exposed to variable interest rates on outstanding liabilities.

The municipality's maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

#### **Effect of a change in interest rate on interest bearing financial assets and liabilities**

<u>Financial Assets</u>	<u>Classification</u>	<u>R</u>
<u>External investments:</u>		<b>2015</b>
Fixed Deposits	Amortised cost	141,695
Call Deposits	Amortised cost	225,836,026
Bank Balances	Amortised cost	53,179,369
Cash Floats and Advances	Amortised cost	11,700
		<b>279,168,791</b>
<b>Interest received</b>		
Interest Earned - External Investments		13,752,436
Interest rate		<b>5%</b>
<b>Effect of a change in interest rate on interest earned from external investments:</b>		
Effect of change in interest rate	%	4%
Effect of change in interest rate	Rand value	10,960,748
Effect of change in interest rate	%	0
Effect of change in interest rate	Rand value	16,544,124
<b>Outstanding debtors:</b>		
Receivables from exchange transactions	Amortised cost	171,779,799
Receivables from Non exchange transactions	Amortised cost	70,184,984
Staff loans - current portion	Amortised cost	
		<b>241,964,783</b>
<b>Interest received</b>		
Interest Earned - Outstanding Debtors		13,701,549
Interest rate		<b>6%</b>
<b>Effect of a change in interest rate on interest earned from outstanding debtors</b>		
Effect of change in interest rate	%	5%
Effect of change in interest rate	Rand value	11,281,901
Effect of change in interest rate	%	7%
Effect of change in interest rate	Rand value	16,121,197

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

<u>Financial Liabilities</u>	<u>Classification</u>	
<u>Long-term Liabilities</u>		
Annuity Loans	Amortised cost	741,257,706
Finance leases	Amortised cost	0
		<u>741,257,706</u>
<u>Interest paid</u>		
Long-term Liabilities		<u>61,024,588</u>
Interest rate %		<u>8%</u>
<u>Effect of a change in interest rate on interest paid on long-term liabilities</u>		
Effect of change in interest	%	7%
Effect of change in interest	Rand value	<u>53,612,011</u>
Effect of change in interest	%	9%
Effect of change in interest	Rand value	<u>68,437,165</u>

**46.7 Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Council. The Municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the Municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

The municipality has access to financing facilities, the total unused amount which is R5 million at the balance sheet date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

**46.8 Credit Risk Management**

*Credit risk* refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The Municipality manages credit risk in its borrowing and investing activities by only dealing with well-established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the Municipality's credit control and debt collection policy. The Municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 19 to the financial statements.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Investments	141,695	139,301
Long-term Receivables	3,721,223	4,175,091
Receivables from Consumer debtors	391,893,805	345,256,963
Receivables from Other debtors	46,443,574	39,162,841
VAT receivable	15,092,688	12,343,487
Bank and Cash Balances	259,525,866	182,832,965
	<u>716,818,650</u>	<u>583,910,647</u>

**Maximum Credit and Interest Risk Exposure**

**46.9 Other Price Risks**

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not

**47. RETIREMENT BENEFIT INFORMATION**

The Municipality makes provision for post-retirement benefits to eligible Councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R 63,340,164 (2014: R 58,580,590) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

**CAPE JOINT PENSION FUND**

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

#### **Defined Benefit Scheme**

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% (period 30 June 2009 - 31 January 2012) and 23.06 % (period 1 February 2012 - 30 June 2014) by their councils. The actuarial valuation report at 30 June 2014 disclosed an actuarial valuation amounting to R3,631,518,000 (30 June 2013 : R3,226,863,000), with a net accumulated surplus of R23,343,000 (2013 : R10,030,000 (deficit)), with a funding level of 104.4% (30 June 2013 : 99.7%).

#### **Defined Contribution Scheme**

The actuarial valuation report at 30 June 2014 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R566,689,000 (30 June 2013 : R483,618,000), net investment reserve of R0 (30 June 2013 : R787,000) and a funding level of 100% (2012 : 99.8%).

The actuary concluded that :

- The Pensioner Account has a surplus of R127.3 million and a funding level of 106.2%. The surplus in the Pensioner Account at the valuation date is sufficient to increase the pension increase target from 60% to 70% of price inflation. However, caution is advisable given lower investment returns after the valuation date.
- The balance of the DB Section for DB active members has a surplus of R23.3 million and a funding level of 101.7%.
- The DC Section has a funding level of 100.0% and no surplus.
- There is a future service contribution rate shortfall of 8.98% of salary in respect of 32 remaining DB active members after the transfer of DB active members to the DC Section.
- The Trustees granted a pension increase of 5% effective 1 January 2015 and a bonus of 50% of monthly pension payable in December 2014. Pro-rata pension increases and bonus apply for pensions in payment for less than one year. The pension increase and bonus are affordable given the healthy funding level of the Pensioner Account and the excellent investment returns achieved over the last three years.

The actuary certified that the Fund is in a sound financial condition as at 30 June 2014, the nature of the assets is suitable for the Fund and the Fund's investment strategy is suitable, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this asset class. Furthermore the assets are appropriately matched relative to the term and nature of the liabilities and the risk benefits for the remaining active members of the DB Section are partially re-insured. This may result in volatile death benefit experience for the Fund. It would be more appropriate to re-insure the full value of these death benefits. Finally the risk benefits of the DC Section are fully re-insured and this is appropriate for the size and nature of the Fund.

#### **CAPE JOINT RETIREMENT FUND**

The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R17,172,854,000 (30 June 2013: R13,607,813,000), with funding levels of 112.6% and 99.9% (30 June 2013 100.2% and 105.1%) for the Share Account and the Pensions Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2014 & 2013. The contribution rate paid by the members (7.50%/9%) and the municipalities (19.50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

#### **SALA PENSION FUND**

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2014 revealed that the assets of the fund amounted to R12,658,200,000 (30 June 2013 : R10,439,200,000), with funding levels of 100% (30 June 2013: 100%). The highest contribution rate paid by the members was 9% and by Council 19.18%.

It is the actuary's opinion that :

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the Rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

#### **MUNICIPAL COUNCILLORS' PENSION FUND**

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R1,183,539,452 (30 June 2009 : R1,123,672,020), with funding levels of 100% (30 June 2009: 100%). The contribution rate paid by the members (13.75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund has a funding level of 99.5% as at the 30 June 2012 and is therefore technically not financially sound. However they regarded the deficit of R6,407,706 made as relatively insignificant in the context of the Fund.

#### **NATIONAL FUND FOR MUNICIPAL WORKERS**

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R9,031,759,000 (30 June 2013 : R6,981,450,000), with funding levels of 100.10% (30 June 2013: 99.97%). The actuary certified that the assets of the fund are sufficient to cover 100.10% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND**

The SAMWU National Provident Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. The statutory valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R2,455,947,000 (30 June 2005 : R1,511,461,000), with funding levels of 100% (30 June 2005: 100%). The investment smoothing reserve has increased from 1.2% of the market value of assets (or 1.25% of members' Fund Credits) at the previous valuation date to 4.6% of the market value of assets (or 5.5% of members' Fund Credits) at the current valuation date. The actuary certified that based on the 2011 valuation the Fund's assets are sufficient to cover the members' Fund Credits and Risk Benefits Reserve and to provide for an investment smoothing reserve of 5.5% of members' Fund Credits as at 30 June 2011. In addition, there is a substantial surplus of some R413 million. The Fund is therefore in a very sound financial position.

**48. CONTINGENCIES**

**Contingent Liabilities**

***Nova Packhouse (Pty) Ltd***

Claim for damages

On 20 April 2009 a fire caused severe and extensive damage to the buildings and the facilities, including moveable assets of the claimants (Nova Packhouse / Colours Packhouse (Pty) Ltd). It is alleged that the fire could have been contained and loss suffered reduced had various fire preventative mechanisms been installed at the premises. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled.

114,563,595	114,563,595
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***Paarl Print (Pty) Ltd - Destruction of property***

Claim for damages

A fire destroyed the Paarl Print property erf 25867, Paarl during September 2009. As a result of this incident, the applicant during March 2012 lodged a claim against the Municipality to the amount of R448,819,503.79. Claim was referred to Council's insurers and notice of intention to defend was lodged by the insurer's legal representatives. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled.

448,819,504	448,819,504
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***A Maans - Paarl Print***

Claim for damages

The Municipality is being sued by the spouse of an employee of Paarl Print who was killed during the Paarl Print fire (refer above). A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled.

2,000,000	2,000,000
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***JA Clift (Pty) Ltd - Fire Paarl Mountain***

Claims for damages

The Municipality is being sued by JA Clift (Pty) Ltd for losses suffered by fire. It is alleged by the Plaintiff that on 4 March 2009 a veld fire started on Erf 1, Paarl where after it spread to the property of the plaintiff on 06 March 2009. As a result of fire the plaintiff sustained extensive damage to olive trees and vineyards as a further result of which the plaintiff suffered damages as claimed in the summons and particulars of the claim. An award was made in favour of the plaintiff, and will be settled by the Municipality's insurers. the only outflow would be the estimated excess to be approximately R 5,000.

5,000	2,248,954
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***E Hagen - Claims for personal injury***

Claims for damages

The Municipality is being sued by Ernest Hagen, for personal injuries suffered when a Bambi bucket of water (3000 litres) was released onto his person during the water bombing of a veld fire. The legal representative is of the opinion the Municipality is non-suited in the action as the aerial firefighting support was engaged and controlled by the Cape Winelands District Municipality.

3,417,916	3,417,916
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***De Poort Heritage Village - Legal Fees dispute***

During the year a legal matter was settled between the Municipality and the De Poort Heritage Village. In the judgement of the case the presiding Judge Saidanha stated that the legal costs of De Poort was for the account of the Municipality. The matter was placed for taxation and the amount of R298,552.65 was paid.

0	300,000
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***Automa Building Products (Pty) Ltd - Services Rendered***

A claim of R 66,509.00 with interest of 15.5% per annum was instituted against the Municipality for services rendered. The current status is that the possibility of settlement is being discussed.

66,509	66,509
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***Malusi Plumbing CC / B Van Schalkwyk t/a Extreme Construction - Services rendered***

A claim of R14 763 with interest of 15.5% per annum was instituted against the Municipality for services rendered. No further correspondence has been received since December 2012. The matter is therefore considered closed.

0	14,763
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***GM Ward - Road Accident Fund claim***

6,000,000	5,000,000
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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

AA.

The plaintiff, G M Ward is claiming damages of approximately R 7,000,000.00 against the Municipality and the Road Accident Fund. The legal counsel has advised the Municipality (Insurer) to increase the reserve for the current year under review from R 5,000,000.00 to R 6,000,000.00 inclusive of the costs of the plaintiff.

***Klein Parys - additional compensation claim***

The Klein Parys Boerdery (Pty) Ltd claimed compensation from Drakenstein Municipality above the amount the Municipality has offered to pay Klein Parys of R739,737.50. This is for the registration of a permanent servitude against Erf 14275, Paarl, for purposes of constructing a sewerage pipeline and taking up the existing road reserve situated along the boundry of Klein parys's property by 6 meters. This matter has been referred to a referee for settlement agreement between the parties. A contingent liability exist for the unknown amount above the offered amount. Settlement has not occurred up to 31 August 2015.

***Drakenstein Municipality / Vine & Solitude CC / G Abdol & J Alkaster***

75,000	0
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A possible appeal against an Order granted against the Municipality by the Land Claims Court, after and order for eviction was granted. If the appeal is rejected emergency housing would have to be provided at the cost indicated.

***Drakenstein Municipality / CJ Cillie / J & LH Adams***

201,000	0
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An appeal has been lodged against an order granted against the Municipality the Wellington Magistrate's Court. Appeal from the Magistrate's Court to the Land Claims Court. If the appeal is rejected emergency housing would have to be provided at the cost indicated.

***Drakenstein Municipality / JD Kirsten / E & E Van der Vendt***

237,000	0
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Application for Rescission of Judgment and possible Appeal later on. Order granted against the Municipality by the Land Claims Court. If the appeal is rejected permanent housing would have to be provided at the cost indicated.

***Drakenstein Municipality / A W Zybrands***

40,000	0
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An application for eviction and provision of emergency accommodation to 23 families by the land owner. Order was granted by the court to instruct Drakenstein Municipality to provide accommodation for these families. A subsequent application was made for extension of the time set out in the order, to allow the Municipality to provide accommodation for these families. Preliminary settlement discussions in the matter between the applicant's attorney's and Council's attorneys were under way at date of the issue of these Financial Statements. In terms of the proposed settlement, the Municipality will relocate the respondent in the case by 30 September 2015 to an alternative site that has been agreed to and provide the respondents with the necessary rudimentary services.

***Drakenstein Municipality - Employee Arbitration cases***

747,983	0
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The Municipality is involved in three arbitration cases with previous employees who were dismissed. The outcomes of these arbitration proceedings cannot be determined, but if the Municipality should lose all three cases, the potential exposure is estimated at a maximum of R 747,983.21.

***Fringe benefit for housing rental***

In terms of paragraph 2(d) of the 7th Schedule of the Income Tax Act, 1962 (Act No. 58 of 1962), a taxable benefit is deemed to have been granted where the employer has provided the employee with residential accommodation either free of charge or for a rental consideration which is less than the value of such accommodation. It was identified that municipal houses are being rented to employees in certain instances where rent which is lower than a market related rental. A contingent liability exists for the PAYE on the fringe benefit obtained by the employees for residing in these premises, the amount of which cannot be determined with certainty.

**Insurance claims**

***F September - Unlawful arrest***

80,000	80,000
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The Municipality & Minister of Safety & Security is being sued by the plaintiff, F September for an unlawful arrest. The matter has been dormant since December 2012 and it is the legal council's opinion the it is doubtful that the matter will be proceeded with.

***MP Wessels - Personal injury***

2,231,194	2,231,194
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The plaintiff, MP Wessels is claiming from the Municipality for personal injury due to the plaintiff's motorcycle hitting a pothole. The claim has been quantified and a mandate is awaited from the insurer to make an offer to the plaintiff in settlement of the claim.

***KG & CG De Jager - Personal injury***

500,000	273,352
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The plaintiff, K G & C G de Jager is claiming from the Municipality for personal injury due to the plaintiff's motorcycle hitting a pothole. The municipality's exposure is limited to their excess.

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Umzamo Civils CC - Damages to vehicle**

The plaintiff, Umzamo Civils CC is claiming from the Municipality for damages to a vehicle after a motor vehicle accident. The matter has become finalised and resolved.

0	49,506
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**LR Brown - Personal injury**

The plaintiff, Lester Ronald Brown is claiming from the Municipality for damages related to soft tissue injury after a part of the railway bridge collapsed.

10,000	10,000
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**C Veldman - Personal injury**

The plaintiff, Carmen Veldman is claiming from the Municipality for damages to a vehicle after a ditch was dug across the road.

310,000	310,000
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**DL van Rooi - Damages claims**

The plaintiff, DL van Rooi is claiming from the Municipality for damages. The matter is being dealt with by the insurer's attorney.

517,500	517,500
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**CN Koch - Damages claims**

The plaintiff, CN Koch is claiming from the Municipality for damages arising from a pot hole that the plaintiff drove in and lost control over the vehicle and suffered damages. The matter is being dealt with by the insurer's attorney.

44,300	0
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**R Morris - Damages**

The plaintiff, R Morris is claiming from the Municipality for damages. The Municipality has been sited as the 2nd defendant, after the 1st defendant hit a pot hole and collided into another vehicle. The matter is being dealt with by the insurer's attorney.

90,000	0
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**J Frylink - Damages**

The plaintiff, J Frylink is claiming from the Municipality for damages resulting from an incident where the plaintiff stepped onto a storm water drain where after the lid gave way and the plaintiff fell into the manhole. The matter is being dealt with by the insurer's attorney.

180,000	0
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**D Theys - Damages**

The plaintiff, D Theys is claiming from the Municipality for damages after hitting a sandbag and then collided with a fence. The matter is being dealt with by the insurer's attorney.

356,000	0
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**OL Veroni - Damages**

The plaintiff, OL Veroni is claiming from the Municipality for damages after hitting a sandbag and then collided with a fence. The matter is being dealt with by the insurer's attorney.

10,000	0
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**HL Carolissen - Damages**

The plaintiff, H Carolissen is claiming from the Municipality for damages after hitting a sandbag and then collided with a fence. The matter is being dealt with by the insurer's attorney.

50,000	0
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**Gouda Hermon Taxi Association**

Notice of Motion. Application for an Order to Restore was filed by the claimant. Drakenstein Municipality and two others are respondents. The matter is opposed by the respondents.

50,000	0
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**Contingent Asset**

**IMATU - Dispute on the implementation of the scarce skills policy**

The labour union IMATU declared an unfair labour practice dispute regarding the provision of benefits against the Municipality on behalf of three of its members after the previous Council during 2010 decided not to implement the Scarce Skills Policy. The applicants claimed that the employer did not pay them scarce skills and car allowances to which they said they had become entitled. The case went to arbitration and the commissioner ruled that the Municipality is ordered to implement the Scarce Skills Policy with effect from 1 September 2010, backdated to 1 November 2008. The matter was taken on review to the Labour Court. The Labour Court judge made the order that the arbitration award made is reviewed and set aside. Following the Labour Court's ruling, the applicant IMATU applied for leave to appeal. On 24 January 2014 the Labour court granted leave to appeal. IMATU subsequently filed an appeal at the Labour Appeal Court. Judgement in favour of the Municipality was handed down in favour of the Municipality with together with costs. The bill is in the process of being set down for taxation. Currently the best estimate is that the Municipality will recover in the region of 50% of it's costs in respect of the application for leave to appeal and the appeal itself.

0	0
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The only further costs and disbursements will be in respect of drafting the bill for taxation and the taxation itself, which amount should be recoverable. The amount of the contingent asset is estimated to be in the region of R120,000.

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**49. BIOLOGICAL ASSETS**

The Municipality has various species of Proteacea growing on the Paarlberg (Erf 1 Paarl), a National heritage site. Due to the fact that the plants are growing in a nature reserve it is protected by the Nature Conservation Act 19 of 1974 a special permit must be obtained to harvest any seeds produced by these plants. These plant grow wild and is exposed to natural conditions such as fire, furthermore there is no input cost by the municipality in order to enhance the growth of these plants or to control it as what would normally be seen in an agricultural activity. These plants produce seedlings on a yearly basis that can result in plants but the municipality cannot determine the quantity of plants as these plants are all in different stages of growth. For the reasons above these plants are not recognised and accounted for in terms of GRAP 27, Agriculture.

**50. DISTRIBUTION LOSSES**

**WATER**

**Reconciliation of water losses**

Kilolitres bought	19,276,942	17,900,967
Kilolitres sold	16,357,465	15,277,721
Kilolitres Lost	<b>2,919,477</b>	<b>2,623,246</b>
Value of losses	<b>5,079,890</b>	<b>4,721,843</b>
Percentage of losses	15.14%	14.65%
Norm of losses	15.00%	15.00%

**Reasons for losses:**

Burst pipes  
 Use of unmetered fire water connections at flat buildings and factories.  
 Open spaces & sports fields that is still unmetered  
 Undetected leaks underground  
 Scouring of mainlines and reservoirs as part of the operational procedure to ensure good water quality

**ELECTRICITY**

**Reconciliation of MWh losses**

MWh units bought	731,859,193	737,486,916
MWh units sold	699,515,265	697,908,317
MWh units lost	<b>32,343,928</b>	<b>39,578,599</b>
Value of losses	<b>14,455,591</b>	<b>17,689,009</b>
Percentage of losses	4.42%	5.37%
Norm of losses	10.00%	10.00%

**Reasons for losses:**

Technical losses  
 Unmetered services  
 Theft

**51. REPORTING AGAINST THE FRAMEWORK FOR SCHEDULE 4 DORA ALLOCATIONS**

Submit project registrations and detail project implementation plans before the prescribed due dates.  
 Department of provincial and Local Government is monitoring the overall programme implementation.

**52. REGISTERED MIG PROGRAMMES FOR THE 2014/2015 FINANCIAL YEAR**

	Received	Expenditure	Closing Balance
Upgrading Weltevrede Sports Grounds (Mig)	3,898,906	3,898,906	0
Cloakroom Ablution Hermonsportground (Mig)	157,911	157,910	0
Bo Dal Road Streetlight Extensions (Mig)	436,748	436,747	1
Wellington Wwtw: Rehabilitation & Extention (Mig)	2,655,946	2,655,946	0
Replace Of S/B King Bulk Water Pipe (Mig)	7,635,883	7,635,883	0
11 Ml Newton Reservoir (Mig)	16,295,680	16,295,680	0
Water Treatment Works: Paarl Mountain (Mig)	400,027	400,027	0
MIG PMU	1,656,900	1,656,900	0
	<b>33,138,000</b>	<b>33,137,999</b>	<b>1</b>

53.

**RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:**

<b>Net surplus/(deficit) per the statement of financial performance</b>	<b>(32,616,937)</b>
<i>Basis Differences</i>	
<b>Revenue from Non-exchange Transactions</b>	<b>22,388,982</b>
Government Grants and Subsidies Received	
<b>Revenue from Exchange Transactions</b>	<b>74,031,423</b>
Service Charges	
<b>Expenditure</b>	
Employee Related Costs	
Remuneration of Councillors	
Collection Costs	(5,790,096)
Depreciation and Amortisation	
Impairment Losses	-
Repairs and Maintenance	(72,374,094)
Finance Costs	
Bulk Purchases	
Contracted Services	(1,500,700)
Grants and Subsidies Paid	(41,275,373)
Debt impairment	217,360,668
General Expenses	
Losses on Other Operations	-
Loss on Disposal of Property, Plant and Equipment	-
<i>Timing differences</i>	-
<i>Entity differences</i>	-
<b>Net surplus/deficit per approved budget</b>	<b>(32,616,937)</b>

Budget basis differences relate to Revenue from Housing Grants and the related Housing expenditure where Drakenstein Municipality is regarded as an agent in terms of GRAP amounting to R 22,388,982 and subsidies for free-basic services provided to indigent consumers which is budgeted for as expenditure under General Expenses, but regarded as Revenue foregone in terms of GRAP amounting to R74,031,423.

**54. UTILISATION OF CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents	259,525,666	182,832,965
	<b>109,632,971</b>	<b>129,749,555</b>
Capital Replacement Reserve	51,754,047	40,252,187
Self Insurance Reserve	2,599,415	1,745,224
Unspent Conditional Grants	54,152,291	38,695,618
External Loans not spent	1,127,218	49,056,526
<b>Cash available for activities</b>	<b>149,892,695</b>	<b>53,083,410</b>

**55. BUDGET INFORMATION**

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal Budget regulations as well as MFMA Budget circulars. In accordance with the Municipal Budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material it is explained in the explanations below:

**55.1 Explanation of variances between approved and final budget amounts**

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Drakenstein Municipality as approved by Council.

**55.2 Explanation of variances greater than 10%: Final Budget and Actual amounts**

**55.2.1. Statement of financial position**

**i) Current Assets**

- *Inventory*  
Due to better stock management, stock levels are at an acceptable level and therefore the actual is less than the budgeted amounts.
- *Receivables from Non-exchange transactions*  
Traffic fines were implemented according to iGRAP 1 and the full extent of the impact will only be accurately budgeted in the future.
- *VAT Receivables*  
Incorrect budget assumptions were used to budget for this item.
- *Current portion of long-term receivables*  
Incorrect budget assumptions were used to budget for this item.

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**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**ii) Non-current Assets**

- *Long-term Receivables*

The actuals are more than the budgeted amount due to an increase in impairment calculated and adjusted on the amounts.

**iii) Current Liabilities**

- *Provisions*

During the period under review the provision for landfill site increased dramatically due to legislative requirements.

- *Payables*

Incorrect budget assumptions were used to budget for this item.

- *Current portion of Long-term Liabilities*

Unforeseen increase in the prime interest rate and other market related factors.

**iv) Non-current Liabilities**

- *Long-term Liabilities*

Unforeseen increase in the prime interest rate and other market related factors.

- *Non-current Provisions*

During the period under review the provision for landfill site increased dramatically due to legislative requirements.

- *Statutory Funds*

Incorrect budget assumptions were used to budget for this item.

- *Reserves*

Incorrect budget assumptions were used to budget for this item.

- *Accumulated Surplus / (Deficit)*

The variance is due to all prior period adjustments - refer to note 39.

**55.2.2. Statement of financial performance**

**i) Revenue from Non-exchange transactions**

- *Property rates - penalties imposed and collection charges*

Incorrect budget assumptions were used to budget for this item.

- *Fines*

Traffic fines were implemented according to iGRAP 1 and the full extent of the impact will only be accurately budgeted in the future.

- *Licences and permits*

Incorrect budget assumptions were used to budget for this item.

- *Public Contributions, Donations and Other*

Incorrect budget assumptions were used to budget for this item.

**ii) Revenue from Exchange transactions**

- *Rental of Facilities and Equipment*

Incorrect budget assumptions were used to budget for this item.

- *Interest earned - external investments*

Unforeseen increase in the prime interest rate and other market related factors more interest was received.

- *Interest earned - Outstanding Debtors*

Due to current economic challenges more interest was earned on outstanding accounts.

- *Other income*

Incorrect budget assumptions were used to budget for this item.

**iii) Expenditure**

- *Impairment of Financial assets*

Incorrect budget assumptions were used to budget for this item.

- *Impairment Losses*

Incorrect budget assumptions were used to budget for this item.

- *General expenses*

Due to better management of expenditure that actual were less than the budgeted amounts.

- *Loss on disposal of property, plant and equipment*

Incorrect budget assumptions were used to budget for this item.

**iv) Capital Expenditure per function**

- *Executive and Council*

Actual expenditure less than projected.

- *Community and Social Services*

Actual expenditure for purchasing medical equipment was less than expected.

- *Public Safety*

Underspending on various projects.

**56. STATEMENT OF FINANCIAL PERFORMANCE SURPLUS / (DEFICIT)**

Total Revenue	1,586,081,223	1,503,206,910
Total Expenditure	1,618,698,161	1,533,058,067
	<b>(32,616,937)</b>	<b>(29,851,158)</b>
	<b>50,574,860</b>	<b>99,200,200</b>
Min : Revenue from Capital grants	(73,597,848)	(97,447,304)
Plus: Provision for Bad debts	71,708,911	104,378,640
Plus: Depreciation	168,108,361	190,531,433
Min : Redemption	(115,644,563)	(98,262,569)
<b>Revised Surplus / (Deficit) for the year</b>	<b>17,957,923</b>	<b>69,349,042</b>

**APPENDIX A**  
**DRAKENSTEIN MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015**

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable Date	Balance at 30 June 2014 R	Received during the period R	Capitalised during the period R	Redeemed/ written off during the period R	Balance at 30 June 2015 R
<b>ANNUITY AND OTHER LOANS</b>								
DBSA	11.47%	103485/4	2019	31,451,615	0	0	4,970,965	26,480,651
DBSA	6.75%	103485/5	2019	7,104,976	0	0	1,239,263	5,865,712
DBSA	10.026%		2024	90,263,158	0	0	5,591,908	84,671,250
NEDBANK	12.65%	49793540000	2018	53,902,211	0	0	11,109,543	42,792,668
NEDBANK	10.22%	1957327022	2015	1,594,250	0	0	1,593,938	312
NEDBANK	10.64%		2021	58,674,167	0	0	6,012,688	52,661,480
NEDBANK	7.75%		2015	5,332,742	0	0	5,332,742	(0)
NEDBANK	8.18%		2017	24,115,918	0	0	7,404,410	16,711,508
NEDBANK	8.63%		2019	20,391,545	0	0	3,421,289	16,970,256
NEDBANK	9.14%		2022	107,025,641	0	0	9,589,269	97,436,371
NEDBANK	7.75%		2016	50,295,000	0	0	24,198,594	26,096,406
NEDBANK	8.79%		2018	32,212,135	0	0	7,052,407	25,159,728
NEDBANK	9.93%		2025	0	197,762,135	0	0	197,762,135
NEDBANK	8.74%		2018	0	2,037,865	0	0	2,037,865
ABSA BANK	9.40%		2020	0	5,200,000	0	0	5,200,000
ABSA BANK	9.21%		2020	15,175,273	0	0	1,996,574	13,178,699
ABSA BANK	8.58%		2017	12,462,201	0	0	3,810,887	8,651,314
ABSA BANK	9.15%		2019	17,202,425	0	0	2,854,591	14,347,834
ABSA BANK	10.08%		2023	54,445,090	0	0	3,955,911	50,489,178
STANDARD BANK	10.25%	72154314	2017	15,369,622	0	0	4,620,941	10,748,681
STANDARD BANK	10.40%	72154411	2020	34,814,414	0	0	4,437,937	30,376,478
INCA	9.30%		2016	8,154,564	0	0	3,891,387	4,263,177
INCA	10.03%		2018	11,915,226	0	0	2,559,317	9,355,909
<b>TOTAL ANNUITY LOANS AND OTHER</b>				<b>651,902,173</b>	<b>205,000,000</b>	<b>0</b>	<b>115,644,563</b>	<b>741,257,609</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>651,902,173</b>	<b>205,000,000</b>	<b>0</b>	<b>115,644,563</b>	<b>741,257,609</b>

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**APPENDIX B  
DRAKENSTEIN LOCAL MUNICIPALITY  
ANALYSIS OF NON-CURRENT ASSETS AS AT 30 JUNE 2015**

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Historical Cost / Fair value / Revaluation										Accumulated Depreciation and Impairment					Carrying Value R	
	Under Construction (WIP)					Completed					Revised Opening Balance R	Additions		Disposals	Closing Balance R		
	Revaluation opening Balance R	Additions R	Completed Balance of R	WIP Opening Balance R	Added R	Completed R	WIP Balance of R	Transfers / Adjustments R	Disposals R	Closing Balance R							
Land																	
Land with improvements	367,764,358	-	-	-	-	-	367,764,358	-	-	-	-	367,074,858	-	-	-	-	-
Land Vacant	503,443,628	-	-	-	-	-	503,443,628	-	-	-	-	503,443,628	-	-	-	-	-
	871,207,986	-	-	-	-	-	871,207,986	-	-	-	-	870,518,486	-	-	-	-	-
Buildings, structures and facilities																	
Buildings	268,852,086	7,658,979	-	-	353,241	-	276,511,065	-	-	353,241	-	277,064,306	-	-	-	-	-
Housing assets	483,464,158	293,506	-	-	-	-	483,757,664	-	-	-	-	483,051,164	-	-	-	-	-
Parks, gardens and cemeteries	24,636,553	1,855,042	-	-	-	-	26,491,595	-	-	-	-	26,491,595	-	-	16,869	-	-
Recreation and Sports facilities	97,602,795	7,304,919	-	-	-	-	104,907,714	-	-	-	-	104,907,714	-	-	-	-	-
	854,553,593	17,312,446	-	-	353,241	-	871,868,038	-	-	353,241	-	871,514,779	-	-	-	-	-
Infrastructure assets																	
Electricity	1,767,573,398	8,858,875	-	-	-	-	1,776,432,273	-	-	-	-	1,827,481,074	-	-	-	-	-
Water supply	814,970,825	26,463,064	-	-	-	-	841,433,889	-	-	-	-	841,433,889	-	-	-	-	-
Sewerage	763,915,139	3,348,986	-	-	-	-	767,264,125	-	-	-	-	767,264,125	-	-	-	-	-
Road transport	1,010,647,853	27,204,571	-	-	-	-	1,037,852,424	-	-	-	-	1,131,316,807	-	-	-	-	-
Storm water	157,859,437	-	-	-	-	-	157,859,437	-	-	-	-	1,106,347,696	-	-	-	-	-
Solid waste disposal	150,688,770	-	-	-	-	-	150,688,770	-	-	-	-	159,882,143	-	-	-	-	-
	4,655,735,432	66,473,277	-	-	353,241	-	4,822,561,950	-	-	353,241	-	4,822,561,950	-	-	-	-	-
Other Assets																	
Motor Vehicles	124,309,874	14,364,251	-	-	-	-	138,674,125	-	-	-	-	138,674,125	-	-	-	-	-
Computer Equipment	26,093,491	3,781,826	-	-	-	-	29,875,316	-	-	-	-	29,875,316	-	-	-	-	-
Office Equipment	17,530,731	483,590	-	-	-	-	18,014,321	-	-	-	-	18,014,321	-	-	-	-	-
Furniture and Fixings	44,301,538	951,156	-	-	-	-	45,252,694	-	-	-	-	45,252,694	-	-	-	-	-
Machinery and Equipment	16,748,164	1,722,811	-	-	-	-	18,470,975	-	-	-	-	18,470,975	-	-	-	-	-
Bins and Containers	5,908,321	298,321	-	-	-	-	6,206,642	-	-	-	-	6,206,642	-	-	-	-	-
Books and Manuals	1,098,079	-	-	-	-	-	1,098,079	-	-	-	-	1,098,079	-	-	-	-	-
Leased Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	238,447,199	21,668,045	-	-	-	-	260,115,244	-	-	-	-	260,115,244	-	-	-	-	-
Capital Spares																	
Major spare parts and stand-by equipment	7,838,914	-	-	-	-	-	7,838,914	-	-	-	-	7,838,914	-	-	-	-	-
	7,838,914	-	-	-	-	-	7,838,914	-	-	-	-	7,838,914	-	-	-	-	-
Total Property, Plant and Equipment	6,637,763,123	485,392,328	-	-	90,760,721	-	7,213,916,172	-	-	90,760,721	-	7,304,676,893	-	-	-	-	-

COO A.A.  
2015-07-30  
Drakenstein

## ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2015

Description	Historical Cost / Fair value / Revaluation Under Construction (WIP)						Accumulated Depreciation				Carrying Value
	Completed			Under Construction (WIP)			Revised Opening Balance	Additions	Transfers	Disposals	Closing Balance
	Restated Opening Balance	Additions	Completed Balance c/f	WIP Opening Balance	Added	Completed					
Conservation areas and Nature Reserves											
Conservation areas	1,815,000	-	1,815,000	-	-	-	-	-	-	-	1,815,000
Nature Reserves	13,950,000	-	13,950,000	-	-	-	-	-	-	-	13,950,000
Historical Buildings and Sites											
Historical Buildings	2,575,000	-	2,575,000	-	-	-	-	-	-	-	2,575,000
Historical Sites	8,502,000	-	8,502,000	-	-	-	-	-	-	-	8,502,000
Works of Art, Regalia and Collections											
Regalia	159,000	-	159,000	-	-	-	-	-	-	-	159,000
Exhibits / Collections	300,500	-	300,500	-	-	-	-	-	-	-	300,500
Works of Art	241,200	-	241,200	-	-	-	-	-	-	-	241,200
<b>Total Heritage Assets</b>	<b>27,542,700</b>	<b>-</b>	<b>27,542,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,542,700</b>

## ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2015

Description	Fair value Under Construction (WIP)						Change in Fair value				Carrying Value
	Completed			Under Construction (WIP)			Revised Opening Balance	Additions	Transfers	Disposals	Closing Balance
	Restated Opening Balance	Additions	Completed Balance c/f	WIP Opening Balance	Added	Completed					
Investment property											
Investment property	52,430,331	-	52,430,331	-	-	-	-	-	-	-	52,430,331
<b>Total Investment Properties</b>	<b>52,430,331</b>	<b>-</b>	<b>52,430,331</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,430,331</b>

## ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2015

Description	Historical Cost / Fair value / Revaluation Under Construction (WIP)						Accumulated Amortisation				Carrying Value
	Completed			Under Construction (WIP)			Revised Opening Balance	Additions	Transfers	Disposals	Closing Balance
	Restated Opening Balance	Additions	Completed Balance c/f	WIP Opening Balance	Added	Completed					
Computer Software and Systems											
Plans and Designs	13,408,745	2,208,970	15,617,715	-	-	-	(5,209,000)	(2,785,000)	-	-	(7,994,000)
Patents and Designs	6,081,120	89,659	6,170,779	-	-	-	(2,433,394)	(208,559)	-	-	(2,641,953)
Licences and Rights	629,465	225,521	854,986	-	-	-	(45,095)	(207,967)	-	-	(267,977)
<b>Total Intangible Assets</b>	<b>20,119,329</b>	<b>2,524,251</b>	<b>22,643,580</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,688,390)</b>	<b>(3,201,526)</b>	<b>-</b>	<b>-</b>	<b>11,130,415</b>

<b>Total Asset Register</b>	<b>6,737,877,483</b>	<b>107,551,579</b>	<b>6,845,429,062</b>	<b>505,585,044</b>	<b>107,482,095</b>	<b>69,780,721</b>	<b>522,386,422</b>	<b>(643,445)</b>	<b>(4,748,560)</b>	<b>(2,676,682,120)</b>	<b>2,474,669</b>	<b>(2,642,512,840)</b>	<b>4,613,133,217</b>
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## APPENDIX C1

## RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)

2014/2015

DESCRIPTION	ORIGINAL BUDGET 1	BUDGET ADJUSTMENTS (i.t.o. s28 and s31 of the MFMA) 2	FINAL ADJUSTMENTS BUDGET 3	SHIFTING OF FUNDS (i.t.o. s31 of the MFMA) 4	VERIMENT (i.t.o. Council approved by law) 5	FINAL BUDGET 6	ACTUAL OUTCOME 7	UNAUTHORISED EXPENDITURE 8	VARIANCE 9	AUCTIONAL OUTCOME AS % OF FINAL BUDGET 10	AUCTIONAL OUTCOME AS % OF ORIGINAL BUDGET 11
<b>REVENUE - STANDARD</b>											
<b>GOVERNANCE AND ADMINISTRATION</b>											
EXECUTIVE AND COUNCIL	247,669,640	(19,200,733)	228,468,907	0	0	228,468,907	249,686,938	0	21,220,031	109.3%	100.8%
BUDGET AND TREASURY OFFICE	10,669,646	2,039,321	12,708,967	0	0	12,708,967	16,297,022	0	3,588,055	128.2%	152.7%
CORPORATE SERVICES	231,993,059	(21,239,177)	210,753,882	0	0	210,753,882	212,151,841	0	1,397,959	100.7%	91.4%
<b>COMMUNITY AND PUBLIC SAFETY</b>	5,006,935	(877)	5,006,058	0	0	5,006,058	21,240,075	0	16,234,017	424.3%	424.2%
COMMUNITY AND SOCIAL SAFETY	105,596,214	45,197,247	150,793,461	0	0	150,793,461	127,361,220	0	(23,432,241)	84.5%	120.6%
SPORT AND RECREATION	9,654,967	8,911	9,663,878	0	(150,000)	9,513,878	3,306,037	0	(6,207,841)	34.7%	34.2%
PUBLIC SAFETY	2,793,419	762,766	3,556,185	0	0	3,556,185	2,803,459	0	(752,726)	78.8%	100.4%
HOUSING	17,999,516	56,042,090	74,041,606	0	150,000	74,191,606	63,995,889	0	(10,195,717)	86.3%	355.5%
HEALTH	75,136,906	(11,617,020)	63,519,886	0	0	63,519,886	57,246,008	0	(6,273,878)	90.1%	76.2%
<b>ECONOMIC AND ENVIRONMENTAL SERVICES</b>	11,406	500	11,906	0	0	11,906	9,827	0	(2,079)	82.5%	86.2%
PLANNING AND DEVELOPMENT	22,193,340	279,489	22,472,829	0	0	22,472,829	23,727,206	0	1,254,377	105.6%	106.8%
ROAD TRANSPORT	5,858,008	276,613	6,134,621	0	0	6,134,621	7,272,996	0	1,138,375	118.6%	124.2%
ENVIRONMENTAL PROTECTION	16,335,332	2,876	16,338,208	0	0	16,338,208	16,454,210	0	116,002	100.7%	100.7%
<b>TRADING SERVICES</b>	0	0	0	0	0	0	0	0	0	0.0%	0.0%
ELECTRICITY	1,191,010,315	71,440,528	1,262,450,843	0	0	1,262,450,843	1,207,692,842	0	(54,758,001)	95.7%	101.4%
WATER	830,127,575	18,557,450	848,685,025	0	0	848,685,025	830,695,554	0	(17,989,471)	97.9%	100.1%
WASTE WATER MANAGEMENT	157,666,808	5,406,446	163,073,254	0	0	163,073,254	156,418,214	0	(6,655,040)	95.9%	99.2%
WASTE MANAGEMENT	114,725,160	17,984,257	132,709,417	0	0	132,709,417	124,242,230	0	(8,467,187)	93.6%	108.3%
OTHER	88,490,772	29,492,375	117,983,147	0	0	117,983,147	96,336,844	0	(21,646,304)	81.7%	108.9%
<b>TOTAL REVENUE - STANDARD</b>	1,566,469,509	97,716,531	1,664,186,040	0	0	1,664,186,040	1,608,470,206	0	(55,715,834)	96.7%	102.7%

## RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE AND EXPENDITURE BY STANDARD CLASSIFICATION)

DESCRIPTION	1	2	3	4	5	6	7	8	VARIANCE	ACTUAL OUTCOME AS % OF FINAL BUDGET	AUTUAL OUTCOME AS % OF ORIGINAL BUDGE T	
	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (t.o. s28 and s31 of the MFMA)	FINAL ADJUSTMENTS BUDGET	SHIFTING OF FUNDS (t.o. s31 of the MFMA)	VERIMENT (t.o. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE		9	10	11
<b>EXPENDITURE - STANDARD</b>												
<b>GOVERNANCE AND ADMINISTRATION</b>												
EXECUTIVE AND COUNCIL	246,645,795	11,324,747	257,970,542	0	(1,683,289)	256,287,253	224,218,745	0	32,068,508	87.5%	90.9%	
BUDGET AND TREASURY OFFICE	48,309,656	1,252,619	49,562,275	0	5,257,239	54,819,514	47,624,465	0	7,195,049	86.9%	98.6%	
CORPORATE SERVICES	42,920,269	18,684,242	61,604,511	0	286,631	61,891,142	43,717,148	0	18,173,994	70.6%	101.9%	
<b>COMMUNITY AND PUBLIC SAFETY</b>	155,415,870	(9,612,114)	146,803,756	0	(7,227,159)	139,576,597	132,877,131	0	6,699,466	95.2%	85.5%	
COMMUNITY AND SOCIAL SERVICES	250,326,453	60,294,747	310,621,200	0	10,256,348	320,877,548	304,263,633	0	16,613,915	94.8%	121.5%	
SPORT AND RECREATION	24,756,560	965,725	25,722,285	0	1,392,182	27,114,467	25,627,385	0	1,487,082	94.5%	103.5%	
PUBLIC SAFETY	58,094,343	1,463,270	59,557,613	0	643,583	60,201,196	58,091,192	0	2,110,004	96.5%	100.0%	
HOUSING	48,897,537	59,527,244	108,424,781	0	346,749	108,771,530	97,110,870	0	11,660,660	89.3%	198.6%	
HEALTH	112,590,590	(998,250)	111,592,340	0	8,004,308	119,596,648	118,340,882	0	1,255,766	98.9%	105.1%	
<b>ECONOMIC AND ENVIRONMENTAL SERVICES</b>	5,987,423	(663,242)	5,324,181	0	(130,474)	5,193,707	5,093,304	0	100,403	98.1%	85.1%	
PLANNING AND DEVELOPMENT	126,538,203	6,988,402	133,527,605	0	(6,461,107)	127,066,498	122,340,713	0	4,725,785	96.3%	96.7%	
ROAD TRANSPORT	34,767,791	(773,652)	33,994,139	0	778,344	34,772,483	33,326,807	0	1,445,676	95.8%	95.9%	
ENVIRONMENTAL PROTECTION	91,770,412	7,763,064	99,533,466	0	(7,239,451)	92,294,015	89,013,906	0	3,280,109	96.4%	97.0%	
<b>TRADING SERVICES</b>	0	0	0	0	0	0	0	0	0	0.0%	0.0%	
ELECTRICITY	936,003,439	129,324,898	1,065,328,337	0	(2,111,952)	1,063,216,385	990,264,052	0	72,952,333	93.1%	105.8%	
WATER	671,119,608	34,339,004	705,457,612	0	(4,119,333)	701,338,279	668,605,262	0	32,733,017	95.3%	99.6%	
WASTE WATER MANAGEMENT	99,386,824	3,828,401	103,215,225	0	3,367,508	106,582,733	102,700,702	0	3,882,031	96.4%	103.3%	
WASTE MANAGEMENT	89,845,720	10,843,976	100,689,696	0	(1,247,003)	99,442,693	87,543,353	0	11,899,340	88.0%	97.4%	
OTHER	75,651,287	80,314,517	155,965,804	0	(113,124)	155,852,680	131,414,735	0	24,437,945	84.3%	173.7%	
<b>TOTAL - EXPENDITURE - STANDARD</b>	1,559,513,890	207,933,794	1,767,447,684	0	0	1,767,447,684	1,641,087,143	0	126,360,541	92.9%	105.2%	
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	6,955,619	(110,217,263)	(103,261,644)	0	0	(103,261,644)	(32,616,937)		(70,644,707)	31.6%	-466.9%	

**P102**

**APPENDIX C2**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY MUNICIPAL VOTE)**

DESCRIPTION	2014/2015										
	ORIGINAL BUDGET 1	BUDGET ADJUSTMENTS (i.t.o. s28 and s31 of the MFMA) 2	FINAL ADJUSTMENTS BUDGET 3	SHIFTING OF FUNDS (i.t.o. s31 of the MFMA) 4	VERIMENT (i.t.o. Council approved by law) 5	FINAL BUDGET 6	ACTUAL OUTCOME 7	UNAUTHORISE D EXPENDITURE 8	VARIANCE 9	ACTUAL OUTCOME AS % OF FINAL BUDGET 10	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET 11
<b>Revenue by Vote</b>											
OFFICE OF THE MUNICIPAL MANAGER	0	0	0	0	0	0	0	0	0	0.0%	0.0%
CORPORATE SERVICES	231,993,059	(216,310,686)	15,682,373	0	0	16,028,845	35,838,907	0	(19,810,062)	223.6%	15.4%
COMMUNITY SERVICES	13,644,829	255,466,345	269,111,174	0	(346,472)	268,764,702	223,688,236	0	45,076,466	83.2%	1639.4%
FINANCIAL SERVICES	5,869,414	204,884,468	210,753,882	0	0	210,753,882	212,151,841	0	(1,397,959)	100.7%	3514.5%
PLANNING AND ECONOMIC DEVELOPMENT	194,422,052	(188,275,525)	6,146,527	0	0	6,146,527	7,282,823	0	(1,136,296)	118.5%	3.7%
INFRASTRUCTURE SERVICES	1,120,540,155	41,951,929	1,162,492,084	0	0	1,162,492,084	1,129,508,399	0	32,983,685	97.2%	100.8%
<b>Total Revenue by Vote</b>	<b>1,566,469,509</b>	<b>97,716,531</b>	<b>1,664,186,040</b>	<b>0</b>	<b>0</b>	<b>1,664,186,040</b>	<b>1,608,470,206</b>	<b>0</b>	<b>55,715,834</b>	<b>96.7%</b>	<b>102.7%</b>
<b>Expenditure by Vote to be appropriated</b>											
OFFICE OF THE MUNICIPAL MANAGER	6,881,839	(1,361,813)	5,520,026	0	(43,046)	5,476,980	3,933,702	0	1,543,278	71.8%	57.2%
CORPORATE SERVICES	43,755,215	43,625,532	87,380,747	0	15,182,143	102,562,890	96,945,600	0	5,617,290	94.5%	221.6%
COMMUNITY SERVICES	84,497,272	398,201,019	482,698,291	0	112,111	482,810,402	440,264,109	0	42,546,293	91.2%	521.0%
FINANCIAL SERVICES	35,240,588	26,363,923	61,604,511	0	286,631	61,891,142	43,717,148	0	18,173,994	70.6%	124.1%
PLANNING AND ECONOMIC DEVELOPMENT	340,314,217	(306,943,569)	33,370,648	0	681,018	34,051,666	31,548,998	0	2,502,668	92.7%	9.3%
INFRASTRUCTURE SERVICES	1,048,824,759	48,048,702	1,096,873,461	0	(16,218,857)	1,080,654,604	1,024,677,586	0	55,977,018	94.8%	97.7%
<b>Total Expenditure by Vote</b>	<b>1,559,513,890</b>	<b>207,933,794</b>	<b>1,767,447,684</b>	<b>0</b>	<b>0</b>	<b>1,767,447,684</b>	<b>1,641,087,143</b>	<b>0</b>	<b>126,360,541</b>	<b>92.9%</b>	<b>105.2%</b>
<b>Surplus/(Deficit) for the year</b>	<b>6,955,619</b>	<b>(110,217,263)</b>	<b>(103,261,644)</b>	<b>0</b>	<b>0</b>	<b>(103,261,644)</b>	<b>(32,616,937)</b>	<b>0</b>	<b>(70,644,707)</b>	<b>31.5%</b>	<b>-468.9%</b>

A.A.

APPENDIX C3

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)  
2014/2015

DESCRIPTION	ORIGINAL BUDGET 1	BUDGET ADJUSTMENTS (f.t.o. s28 and s31 of the MFMA) 2	FINAL ADJUSTMENTS BUDGET 3	SHIFTING OF FUNDS (f.t.o. s31 of the MFMA) 4	VERIMENT (f.t.o. Council approved by law) 5	FINAL BUDGET 6	ACTUAL OUTCOME 7	UNAUTHORISED EXPENDITURE 8	VARIANCE 9	ACTUAL OUTCOME AS % OF FINAL BUDGET 10	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET 11
<b>Revenue By Source</b>											
Property rates	200,747,362	(1,368,849)	199,378,513	0	0	199,378,513	193,848,793	0	5,529,720	97.2%	96.6%
Property rates - penalties & collection charges	1,267,200	0	1,267,200	0	0	1,267,200	1,653,336	0	(386,136)	130.5%	130.5%
Service charges - electricity revenue	805,556,835	(3,381,034)	802,175,802	0	0	802,175,802	778,129,062	0	24,046,740	97.0%	96.6%
Service charges - water revenue	134,515,322	3,081,467	137,596,789	0	3,257,802	140,854,591	152,067,758	0	(11,213,167)	108.0%	113.0%
Service charges - sanitation revenue	55,077,735	14,731,995	69,809,731	0	0	69,809,731	60,646,950	0	9,162,781	86.9%	110.1%
Service charges - refuse revenue	69,419,050	21,407,860	90,826,910	0	(0)	90,826,910	67,999,873	0	22,827,037	74.9%	98.0%
Service charges - other	32,137	(1,777)	30,360	0	0	30,360	30,384	0	(24)	0.0%	0.0%
Rental of facilities and equipment	21,825,166	(959)	21,824,199	0	(350)	21,823,849	10,449,695	0	11,374,154	47.9%	47.9%
Interest earned - external investments	8,984,880	1,835,641	10,820,521	0	(15,120)	10,805,401	13,752,436	0	(2,947,035)	127.3%	153.1%
Interest earned - outstanding debtors	9,779,628	(15,120)	9,764,508	0	15,120	9,779,628	13,701,549	0	(3,921,921)	140.1%	140.1%
Dividends received	15,120	0	15,120	0	0	15,120	15,120	0	0	0.0%	0.0%
Fines	5,300,675	56,020,930	61,321,605	0	0	61,321,605	49,704,425	0	11,617,180	81.1%	937.7%
Licences and permits	12,739,634	1,015	12,740,649	0	0	12,740,649	14,032,427	0	(1,291,778)	110.1%	110.1%
Agency services	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Transfers recognised - operational	161,876,170	(5,155,937)	156,720,233	0	(499,081)	156,221,152	152,924,083	0	3,297,070	97.9%	94.5%
Other revenue	24,411,463	845,665	25,257,128	0	(3,257,453)	21,999,675	32,153,792	0	(10,154,117)	146.2%	131.7%
Inventory Surpluses	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Gains on disposal of PPE	250,000	0	250,000	0	(250,000)	0	0	0	0	0.0%	0.0%
Gains from assets from non exchange transactions	0	0	0	0	0	250,000	2,474,669	0	(2,224,669)	0.0%	0.0%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,511,798,369</b>	<b>88,000,898</b>	<b>1,599,799,267</b>	<b>0</b>	<b>(749,081)</b>	<b>1,599,300,186</b>	<b>1,543,584,352</b>	<b>0</b>	<b>55,715,834</b>	<b>96.5%</b>	<b>102.1%</b>

**APPENDIX C3**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)**  
**2014/2015**

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)											
2014/2015											
DESCRIPTION	ORIGINAL BUDGET 1	BUDGET ADJUSTMENTS (i.e. s28 and s31 of the MFMA) 2	FINAL ADJUSTMENTS BUDGET 3	SHIFTING OF FUNDS (i.e. s31 of the MFMA) 4	VERIMENT (i.e. Council approved by law) 5	FINAL BUDGET 6	ACTUAL OUTCOME 7	UNAUTHORISED EXPENDITURE 8	VARIANCE 9	ACTUAL OUTCOME AS % OF FINAL BUDGET 10	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET 11
<b>Expenditure By Type</b>											
Employee related costs	434,516,144	(18,310,445)	416,205,699	0	5,734,459	421,940,158	412,476,034	0	9,464,124	97.8%	94.9%
Remuneration of councillors	20,452,558	0	20,452,558	0	0	20,452,558	19,975,559	0	476,999	97.7%	97.7%
Collection cost	0	0	0	0	0	0	0	0	0		
Debt impairment	34,810,100	(0)	34,810,100	0	0	34,810,100	30,433,538	0	4,376,562	87.4%	87.4%
Depreciation & asset impairment	162,567,656	11,541,469	174,109,125	0	(1,500,000)	172,609,125	166,067,361	0	6,541,764	96.2%	102.2%
Impairment Losses	0	0	0	0	26,000	26,000	2,041,000	0			
Finance charges	56,833,009	8,987,403	65,820,412	0	(945,100)	64,875,312	61,024,588	0	3,850,724	94.1%	107.4%
Repairs and Maintenance	0	0	0	0	5,350,410	543,064,905	543,064,879	0	26	100.0%	101.0%
Bulk purchases	537,714,495	0	537,714,495	0	0	0	0	0	0	0.0%	0.0%
Other materials	15,276,943	7,756,299	23,033,242	0	(562,800)	22,470,442	21,786,059	0	684,383	97.0%	142.6%
Contracted services	595,000	0	595,000	0	0	595,000	567,000	0	28,000	95.3%	95.3%
Transfers and grants	296,747,985	192,959,068	489,707,053	0	(5,102,969)	484,604,084	382,244,053	0	102,360,031	78.9%	128.8%
Other expenditure	0	5,000,000	5,000,000	0	(3,000,000)	2,000,000	1,407,072	0	592,928	0.0%	0.0%
Loss on disposal of PPE	0	0	0	0	0	0	0	0	0		
<b>Total Expenditure</b>	<b>1,559,513,890</b>	<b>207,933,794</b>	<b>1,767,447,684</b>	<b>0</b>	<b>(0)</b>	<b>1,767,447,684</b>	<b>1,641,087,143</b>	<b>0</b>	<b>128,375,541</b>	<b>92.9%</b>	<b>105.2%</b>
<b>Surplus/(Deficit)</b>	<b>(47,715,321)</b>	<b>(119,932,896)</b>	<b>(167,648,417)</b>	<b>0</b>	<b>(749,081)</b>	<b>(168,147,498)</b>	<b>(97,502,791)</b>	<b>0</b>	<b>(72,659,707)</b>	<b>58.0%</b>	<b>204.3%</b>
Transfers recognised - capital	54,671,140	9,715,633	64,386,773	0	0	64,885,854	64,885,854	0			
Contributions recognised - capital	0	0	0	0	0	0	0	0			
Contributed assets	0	0	0	0	0	0	0	0			
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>6,955,619</b>	<b>(110,217,263)</b>	<b>(103,261,644)</b>	<b>0</b>	<b>(749,081)</b>	<b>(103,261,644)</b>	<b>(32,616,937)</b>	<b>0</b>	<b>(72,659,707)</b>	<b>31.6%</b>	<b>-468.9%</b>
Taxation	0	0	0	0	0	0	0	0			
<b>Surplus/(Deficit) after taxation</b>	<b>6,955,619</b>	<b>(110,217,263)</b>	<b>(103,261,644)</b>	<b>0</b>	<b>(749,081)</b>	<b>(103,261,644)</b>	<b>(32,616,937)</b>	<b>0</b>	<b>(72,659,707)</b>	<b>31.6%</b>	<b>-468.9%</b>
Attributable to minorities	0	0	0	0	0	0	0	0			
<b>Surplus/(Deficit) attributable to municipality</b>	<b>6,955,619</b>	<b>(110,217,263)</b>	<b>(103,261,644)</b>	<b>0</b>	<b>(749,081)</b>	<b>(103,261,644)</b>	<b>(32,616,937)</b>	<b>0</b>	<b>(72,659,707)</b>	<b>31.6%</b>	<b>-468.9%</b>
Share of surplus/ (deficit) of associate	0	0	0	0	0	0	0	0			
<b>Surplus/(Deficit) for the year</b>	<b>6,955,619</b>	<b>(110,217,263)</b>	<b>(103,261,644)</b>	<b>0</b>	<b>(749,081)</b>	<b>(103,261,644)</b>	<b>(32,616,937)</b>	<b>0</b>	<b>(72,659,707)</b>	<b>31.6%</b>	<b>-468.9%</b>

**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

**APPENDIX C4**

DESCRIPTION	2014/2015										
	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (i.t.o. s28 and s31 of the MFMA)	FINAL ADJUSTMENTS	SHIFTING OF FUNDS (i.t.o. s31 of the MFMA)	VERIMENT (i.t.o. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	ACTUAL OUTCOME AS % OF FINAL BUDGET	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET
	1	2	3	4	5	6	7	8	9	10	11
Capital expenditure - Vote											
Multi-year expenditure											
OFFICE OF THE MUNICIPAL MANAGER	11,308,225	(11,181,987)	126,238	0	0	126,238	68,570	0	57,668	54.3%	0.6%
CORPORATE SERVICES	7,951,775	(870,554)	7,081,221	0	0	7,081,221	7,529,140	0	(447,919)	106.3%	94.7%
COMMUNITY SERVICES	27,025,969	(7,018,878)	20,007,091	0	0	20,007,091	21,576,220	0	(1,569,129)	107.8%	79.8%
FINANCIAL SERVICES	0	519,345	519,345	0	0	519,345	515,963	0	3,382	99.3%	#DIV/0!
PLANNING AND ECONOMIC DEVELOPMENT	500,000	2,385,313	2,885,313	0	0	2,885,313	2,767,481	0	117,832	95.9%	553.5%
INFRASTRUCTURE SERVICES	192,026,650	(25,421,953)	166,604,697	0	0	166,604,697	182,946,303	0	(16,341,606)	109.8%	95.3%
Capital multi-year expenditure sub-total	238,812,619	(41,588,714)	197,223,905	0	0	197,223,905	215,403,678	0	(18,179,772)	109.2%	90.2%
Single-year expenditure											
OFFICE OF THE MUNICIPAL MANAGER	0	0	0	0	0	0	0	0	0	0.0%	0.0%
CORPORATE SERVICES	1,200,000	0	1,200,000	0	0	1,200,000	0	0	0	0.0%	0.0%
COMMUNITY SERVICES	12,101,562	0	2,568,842	0	0	2,568,842	0	0	0	0.0%	0.0%
FINANCIAL SERVICES	0	0	0	0	0	0	0	0	0	0.0%	0.0%
PLANNING AND ECONOMIC DEVELOPMENT	0	0	0	0	0	0	0	0	0	0.0%	0.0%
INFRASTRUCTURE SERVICES	32,706,959	0	17,198,934	0	0	17,198,934	0	0	0	0.0%	0.0%
Capital single-year expenditure sub-total	46,008,521	0	20,967,776	0	0	20,967,776	0	0	0	0.0%	0.0%
Total Capital Expenditure - Vote	284,821,140	(41,588,714)	218,191,681	0	0	218,191,681	215,403,678	0	(18,179,772)	109.2%	90.2%

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**APPENDIX C4**  
**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

DESCRIPTION	2014/2015										
	1	2	3	4	5	6	7	8	9	10	11
	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (i.t.o. s28 and s31 of the MFMA)	FINAL ADJUSTMENTS BUDGET	SHIFTING OF FUNDS (i.t.o. s31 of the MFMA)	VERIMENT (i.t.o. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	ACTUAL OUTCOME AS % OF FINAL BUDGET	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET
<b>Capital Expenditure - Standard</b>											
<i>Governance and administration</i>											
EXECUTIVE AND COUNCIL	27,160,000	(907,988)	26,252,012	0	0	26,252,012	25,353,605	0	898,407	96.6%	93.3%
BUDGET AND TREASURY OFFICE	14,718,225	(14,641,571)	76,654	0	0	76,654	23,412	0	53,242	30.5%	0.2%
CORPORATE SERVICES	12,441,775	519,345	13,214,238	0	0	13,214,238	14,814,230	0	1,599,992	96.3%	199.4%
<i>Community and public safety</i>											
COMMUNITY AND SOCIAL SERVICES	26,727,531	(10,829,401)	15,898,130	0	(0)	15,898,130	14,968,104	0	930,026	94.2%	56.0%
SPORT AND RECREATION	2,047,688	(85,829)	1,961,859	0	0	1,961,859	1,488,177	0	473,682	75.9%	72.7%
PUBLIC SAFETY	20,454,833	(10,206,340)	10,248,493	0	(0)	10,248,493	9,842,947	0	405,546	96.0%	48.1%
HOUSING	25,000	115,991	140,991	0	0	140,991	121,046	0	19,945	85.9%	484.2%
HEALTH	4,200,000	(653,223)	3,546,777	0	0	3,546,777	3,515,934	0	30,843	99.1%	83.7%
<i>Economic and environmental services</i>											
PLANNING AND DEVELOPMENT	53,510,977	1,475,012	54,985,989	0	0	54,985,989	54,737,836	0	248,153	99.6%	0.0%
ROAD TRANSPORT	500,000	2,385,313	2,885,313	0	0	2,885,313	2,767,481	0	117,832	95.9%	102.3%
ENVIRONMENTAL PROTECTION	53,010,977	(910,301)	52,100,676	0	0	52,100,676	51,990,355	0	110,321	99.8%	553.5%
<i>Trading services</i>											
ELECTRICITY	177,422,632	(56,367,082)	121,055,550	0	0	121,055,550	120,324,133	0	731,417	99.4%	98.1%
WATER	25,750,175	(7,213,035)	18,537,140	0	0	18,537,140	17,850,156	0	686,984	96.3%	0.0%
WASTE WATER MANAGEMENT	57,152,017	(3,653,854)	53,498,163	0	0	53,498,163	53,469,855	0	28,308	99.9%	67.8%
WASTE MANAGEMENT	77,620,440	(34,696,457)	42,923,983	0	0	42,923,983	42,909,851	0	14,132	100.0%	93.6%
<i>Other</i>											
Other	16,900,000	(10,803,736)	6,096,264	0	0	6,096,264	6,094,271	0	1,993	100.0%	55.3%
<b>Total Capital Expenditure - Standard</b>	<b>284,821,140</b>	<b>(66,629,459)</b>	<b>218,191,681</b>	<b>0</b>	<b>(0)</b>	<b>218,191,681</b>	<b>215,403,678</b>	<b>0</b>	<b>2,788,003</b>	<b>98.7%</b>	<b>75.6%</b>
<b>Funded by:</b>											
National Government	41,343,070	9,988,556	51,331,626	0	0	51,331,626	64,885,854	0	13,554,228	99.7%	156.9%
Provincial Government	13,478,070	0	13,478,070	0	0	13,478,070	13,478,070	0	0	100.0%	0.0%
District Municipality	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Other transfers and grants	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<i>Transfers recognised - capital</i>											
Public contributions & donations	54,821,140	9,988,556	64,809,696	0	0	64,809,696	64,809,696	0	0	100.0%	118.4%
Borrowing	205,000,000	(71,853,096)	133,146,904	0	0	133,146,904	132,019,684	0	1,127,218	99.2%	64.4%
Internally generated funds	25,000,000	(5,046,496)	19,953,504	0	0	19,953,504	18,498,140	0	1,455,364	92.7%	74.0%
<b>Total Capital Funding</b>	<b>284,821,140</b>	<b>(66,911,036)</b>	<b>217,910,104</b>	<b>0</b>	<b>0</b>	<b>217,910,104</b>	<b>215,403,678</b>	<b>0</b>	<b>2,506,426</b>	<b>98.7%</b>	<b>75.6%</b>

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APPENDIX C5

RECONCILIATION OF BUDGETED CASH FLOW

2014/2015								
Description	Original Budget 1	Budget Adjustments (f.t.o. s28) 2	Final adjustments budget 3	Final Budget 6	Actual Outcome 7	Variance 9	Actual Outcome as % of Final Budget 10	Actual Outcome as % of Original Budget 11
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	1,275,680,717	81,557,263	1,357,237,980	1,357,237,980	1,353,263,610	3,974,370	99.7%	106.1%
Government - operating	161,876,170	(14,637,717)	147,238,453	147,238,453	131,065,365	16,173,088	89.0%	81.0%
Government - capital	54,671,140	21,085,386	75,756,526	75,756,526	73,597,848	2,158,678	0.0%	134.6%
Interest	18,764,508	1,820,521	20,585,029	20,585,029	13,752,436	6,832,593	66.8%	73.3%
Dividends	15,120	0	15,120	15,120	15,120	0	0.0%	0.0%
Payments								
Suppliers and employees	(1,207,992,703)	(129,079,831)	(1,337,072,533)	(1,337,072,533)	(1,307,866,235)	(29,206,298)	97.8%	108.3%
Finance charges	(56,833,009)	(8,987,403)	(65,820,412)	(65,820,412)	(61,024,588)	(4,795,824)	92.7%	107.4%
Transfers and Grants	(595,000)	0	(595,000)	(595,000)	(2,067,700)	1,472,700	347.5%	347.5%
NET CASH FROM/(USED) OPERATING ACTIVITIES	245,586,943	(48,241,781)	197,345,163	197,345,163	200,735,856	(3,390,693)	101.7%	81.7%
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	250,000	0	250,000	250,000	0	250,000	0.0%	0.0%
Decrease (Increase) in non-current debtors	0	0	0	0	0	0	0.0%	0.0%
Decrease (increase) other non-current receivables	(250,359)	0	(250,359)	(250,359)	(2,302,075)	2,051,716	919.5%	919.5%
Decrease (increase) in non-current investments	0	0	0	0	0	0	0.0%	0.0%
Payments								
Capital assets	(276,276,506)	(58,084,824)	(218,191,681)	(218,191,681)	(215,403,678)	(2,788,004)	98.7%	78.0%
NET CASH FROM/(USED) INVESTING ACTIVITIES	(276,276,865)	(58,084,824)	(218,192,041)	(218,192,041)	(217,705,753)	(486,288)	99.8%	78.8%

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APPENDIX C5

RECONCILIATION OF BUDGETED CASH FLOW

2014/2015								
Description	Original Budget 1	Budget Adjustments (i.t.o. s28) 2	Final adjustments budget 3	Final Budget 6	Actual Outcome 7	Variance 9	Actual Outcome as % of Final Budget 10	Actual Outcome as % of Original Budget 11
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	0	0	0	0	0	0	0.0%	0.0%
Borrowing long term/refinancing	205,000,000	0	205,000,000	205,000,000	205,000,000	0	100.0%	100.0%
Increase (decrease) in consumer deposits	654,779	0	654,779	654,779	2,710,616	(2,055,837)	414.0%	414.0%
Payments								
Repayment of borrowing	(108,932,338)	0	(108,932,338)	(108,932,338)	(115,644,563)	6,712,225	0.0%	0.0%
NET CASH FROM/(USED) FINANCING ACTIVITIES	96,722,441	0	96,722,441	96,722,441	92,066,053	4,656,388	95.2%	95.2%
NET INCREASE/ (DECREASE) IN CASH HELD								
Cash/cash equivalents at the year begin:	65,507,289	(113,278,893)	178,786,182	178,786,182	182,832,965	(4,046,783)	102.3%	279.1%
Cash/cash equivalents at the year end:	131,539,809	(123,121,936)	254,661,745	254,661,745	257,929,121	779,407	101.3%	196.1%

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## APPENDIX D

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